THE PURSUIT OF EXCELLENCE

1913-2013

100 years

THE ORIGINAL DCSL ESTD 1913

Annual Report 2012/13

Contents

THE PURSUIT OF EXCELLENCE

One hundred years of passion, hard work and perseverance have brought to where we are today: a highly respected, fast growing blue chip conglomerate with interests in several key growth industry sectors: beverages, telecommunications, plantations, hotels, textiles, finance, insurance, power genaration, media and logistics.

And yet, we will not rest. Our story is far from over. Indeed, it has only just begun. Look to us for even greater achievements as we step into the next century of our lifetime, to build further upon our current successes.

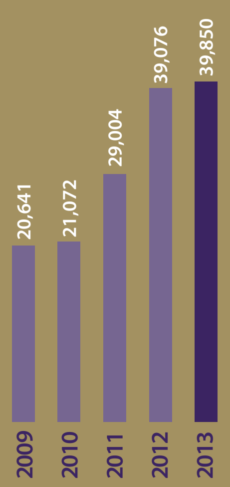
DCSL. 100 years in the passionate pursuit of excellence.

Financial Highlights

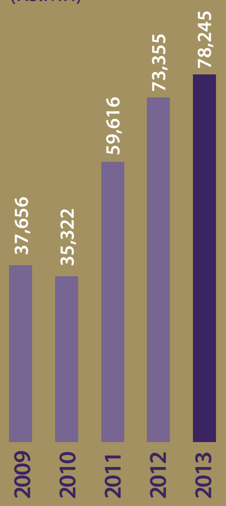
		2013 Group	2012 Group	2013 Company	2012 Company
Summary of Results					
Gross Turnover	Rs Mn	65,790	63,125	51,549	49,136
Excise Duty	Rs Mn	37,024	36,150	34,088	33,860
Net Turnover	Rs Mn	28,766	26,975	17,461	15,276
Profit After Tax	Rs Mn	5,258	6,052	6,873	4,297
Shareholders Funds	Rs Mn	47,978	41,576	39,155	32,597
Working Capital	Rs Mn	(1,298)	(3,234)	(6,139)	(21,374)
Total Assets	Rs Mn	78,245	73,355	55,942	62,563
Staff Cost	Rs Mn	3,194	3,155	1,039	1,080
No. of Employees		18,674	18,158	1,343	1,389
Per Share					
Basic Earnings*	Rs.	17.13	18.45	10.68	11.85
Net Assets	Rs.	159.93	138.59	130.52	108.66
Dividends	Rs.	3.00	3.00	3.00	3.00
Market Price - High	Rs.	190.00	191.00	190.00	191.00
- Low	Rs.	117.00	100.00	117.00	100.00
- Year End	Rs.	166.50	145.00	166.50	145.00
Ratios					
Price Earnings*	times	10	8	16	12
Return on Shareholders Funds*	%	10.71	13.31	8.18	10.91
Current Ratio	times	0.94	0.86	0.63	0.26
Interest Cover*	times	5.9	14.3	5.1	19.2
Stock Turnover (Finished Goods)	days	14	15	12	13
Debt to Equity	%	23.25	29.75	21.90	29.88
Debt to Total Assets	%	14.26	16.86	15.33	15.57
Dividend Payout*	%	17.51	16.26	28.08	25.32
Dividend Yield	%	1.80	2.07	1.80	2.07

* Company's profit has been adjusted for intra-group capital gain on share transfer

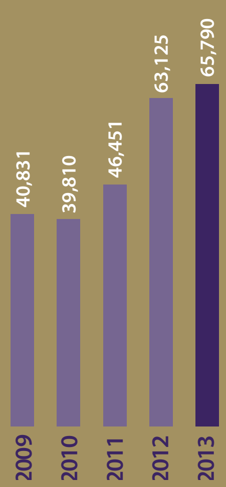
Taxes Paid - Group
(Rs.Mn)



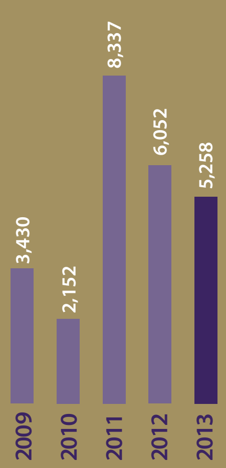
Total Asstes - Group
(Rs.Mn)



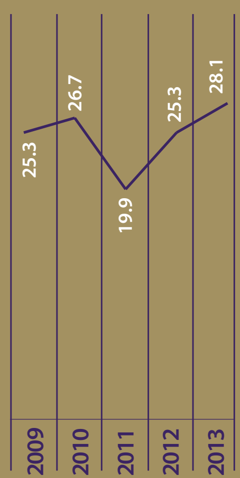
Gross Turnover - Group
(Rs.Mn)



Profit After Tax - Group
(Rs.Mn)



Dividend Payout
% - Company



Highlights of the Year

October 2012

Melsta Regal Finance Limited was launched under the patronage of Central Bank Governor Ajith Nivard Cabraal.

November 2012

DCSL was ranked No. 04 in the Business Today 'Top Twenty Five'. This was the 14th consecutive year DCSL was listed among corporate heavy weights in the rankings.

December 2012

Global Rating agency Fitch assigns DCSL a national long term Rating of AAA (lka) / stable outlook - The best & highest entity credit rating for a corporate in Sri Lanka.

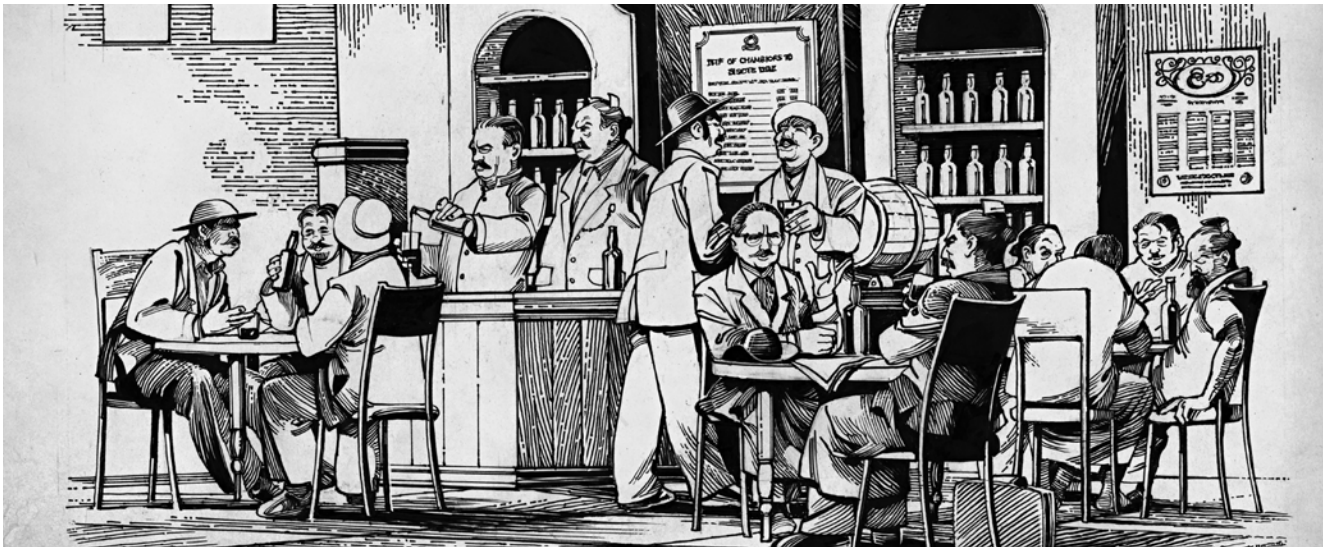
May 2013

Melsta Regal Finance was assigned A+ (lka) / Stable by Fitch. This signifies a very high credit rating for a finance company.

Our Businesses

Sector	Function	Company
Beverages	Distillation, manufacture & distribution of liquor products	DCSL, Periceyl
Telecommunications	Telecommunications services	LB, TCF, BSL
Plantations	Cultivation & processing of tea & rubber	BPL
Diversified		
Investment	Investment holding company	Melstacorp
Financial Services	Insurance Finance	Continental Melsta Regal
Logistics	Automobile servicing & logistics	Melsta Logistics
Textiles	Dyeing & printing fabrics	Texpro
Information Technology	BPO, KPO & software development	BellVantage
Power Generation	Hydro power generation	Bogo Power
Leisure	Beach hotel	BBH
Manufacturing	Manufacturing & selling of sugar & molasses	Pelwatte Sugar
Media	Media buying & creative services	Splendor

Historical Perspective



A 100 years young and still growing

The Distilleries Company of Sri Lanka PLC (DCSL) is among a few unique companies in Sri Lanka that can boast of an existence of 100 years. This proud heritage makes DCSL a very special corporate entity and a specialist in the domestic business sector. Over the past 100 years, our corporate DNA has been strengthened with the values of experience, maturity, innovation, fortitude and the will to succeed.

Our origins can be traced back to 1913, when the Excise Department of Ceylon, which was initially created as the enforcement authority to distribute and sell liquor products in Sri Lanka, branched out into the distillation and manufacture of liquor products. Later, in 1974 the State Distilleries Corporation was incorporated by statute, to take over this venture while the Excise Department realigned its operations as a monitoring body. Therefore, DCSL has the rare distinction of being the pioneer distiller in Sri Lanka.

In 1989, under a government policy decision, the State Distilleries Corporation was converted into a limited company. This transfer of ownership took place at the Colombo Stock Exchange (CSE) in 1992, making it the largest transaction in the history of the CSE. Under the new private management the company entered an era of modernisation that saw upgrading of machinery and equipment and the introduction of modern management systems and processes. Plant and machinery were upgraded to modern international standards and new technology developed by world renowned experts was introduced. Large investments have also been made in Research and Development (R&D) and in upgrading laboratories. These improvements have equipped the company with top of the line facilities enabaling to produce beverages of international standard. Storage facilities and product distribution systems have been upgraded to modern standards with fully computerised systems. A fleet of modern vehicles ensures that customers in even the remotest areas are able to enjoy the best DCSL products delivered island wide.

These changes have contributed towards higher production efficiencies across the supply chain. Our people are regularly trained in the best international practices in locations famed for high quality alcohol, such as France, Scotland and Ireland.

Over the years, we have not only grown to become Sri Lanka's largest distiller, but have been recognised as a leading corporate with the highest quality standards. Despite these achievements and our strong position of business leadership, we continue to look for ways to improve and grow. Since 1992, the company has not only expanded production, but has also diversified into other non-alcohol related activities.

Today, we are present in all parts of the country, operating under the principle of providing the highest standard of products and services for the people of Sri Lanka with a vision of up lifting the quality of life of our people. In the coming years we look forward to expanding our footprint into international markets and making our brand an internationally recognised name. Our R&D Division is working tirelessly to achieve this aim and we are confident that the DCSL heritage will soon become as loved and trusted internationaly as it is in Sri Lanka.

THE STORY OF ARRACK

Sri Lankan coconut arrack is believed to be one of the purest alcoholic beverages in the world distilled through a natural fermentation process

The unforgettable Sri Lankan flavour

The Sri Lankan coconut arrack is believed to be one of the purest, naturally derived alcoholic beverages in the world distilled through a natural fermentation process.

Sri Lanka's early literature makes many references to "…liquor drawn from the coconut flower", while toddy tapping, the first step in the process, is an age-old vocation, passed down from father to son. Over the years the technique has been perfected to produce that unsurpassed beverage, Sri Lankan coconut arrack. Today, coconut arrack remains the alcoholic beverage of choice in Sri Lanka.

Coconut sap or toddy, is obtained by tapping the unopened coconut flower for its nectar. Toddy tappers manually extract the toddy by deftly rappelling from tree to tree. Once the toddy is collected in earthenware pots, a variety of naturally present wild yeasts and bacteria cause rapid fermentation. After a minute filtration process, this liquor is poured into massive casks made of Halmilla wood and are gently transported to our factories for distillation.

The process of distillation comprises two stages; continuous distillation and a batch process known as 'pot distillation'. This distillation process is usually completed within 24 hours. The purified spirit comes out with the distinctive flavour of arrack.

Every fortnight the contents of the wooden vats are mixed methodically, for better aeration and to increase contact with the wood. Herbs and spices from ancient recipes are also added at particular stages, to enhance flavour and mellow the liquor during the crucial maturation process. The maturation process is completed after flavour enhancing and smoothening while still inside the wooden vats.

Finally, spirits of different ages and flavours are blended to create the various DCSL brands, all under the careful supervision of an experienced connoisseur and Master Blenders. As the largest coconut arrack distillery in Sri Lanka, possibly even in the world, this golden brew remains our pride and flagship product.

Tradition Served with Pride

A 100% coconut spirit, refined, aged and matured in Halmilla vats - giving a woody & natural vanilla flavour

Superior blend of mellow 100% coconut arrack full of character and a distinctive flavour stemming from the traditional process of maturing

A blend of coconut spirits and imported neutral spirits bringing herbal flavours with a distinctively rich taste and smooth aroma

A blend of coconut and imported neutral spirits bringing a distinctively rich and smooth flavour

Twice distilled in pot stills and matured slowly in Halmilla vats giving a remarkable taste and aroma

A 100% coconut spirit, matured in Halmilla vats, producing a woody character and exceptional smoothness

A 100% pure coconut spirit, which brings out the full-bodied taste and aroma of desiccated coconut with a subtle sweetness. Best served as a cocktail mixer

A blend of 100% aged coconut spirits, well-matured in Halmilla vats to give a taste of oak

Crystal clear and an absolutely pure blend of coconut arrack and neutral spirits giving a tint of fresh lime with a slight burning sensation on your tongue

Finest blend of matured coconut arrack and neutral spirits giving a rich and smooth flavour

World Class Blends, distinctly Sri Lankan

Exceptional selection of spirits blended to create a great rum, matching international standards

A combination of scotch and fine spirits to produce a rich blend of whisky

Unique premium blended arrack, smooth on the palate with pleasant aromas

Premium blend of malts and fine spirits to produce this classic whisky

Unique variety of imported spirits that combines together to produce an international standard vodka

Flavour of apple with fine imported spirits which provides a rich apple aroma with a smooth apple flavour on the palate

Aged fine French brandy blended with fine spirits matured in vats to enhance the smooth characters of a superior brandy

A blend of finest French brandy merged with fine spirits to bring out a unique flavour that is incomparable

Fine spirits blended with a rich recipe flavoured with lemon

Flavour of Mango with fine imported spirits that combines tempting aromas and flavours of rich Mango

Premium
Brands
from around the World


AGAVITA
TEQUILA
BLANCO
MALIBU
CARIBBEAN RUM
COCONUT
IMPORTED
ABSOLUT
Country of Sweden
VODKA
This superb vodka
was distilled from grain grown
in the rich fields of southern Sweden.
It has been produced at the famous
old distilleries near Åhus
in accordance with more than
400 years of Swedish tradition.
Vodka has been sold under the name
Absolut since 1879.
40% ALC./VOL. (80 PROOF) 750 ML.
IMPORTED
RICARD
PASTIS
MARSEILLE
FRANCE
Seagram's
Seagram's
EXTRA DRY
GIN
LAWRENCEBURG, IN

Premium Brands from around the World

JACOB'S CREEK
Sparkling Rosé
LONG MOUNTAIN
South Africa
2010
CHARDONNAY
CAFÉ DE PARIS
Blanc de Blancs
BRUT
BRANCOTT ESTATE
Marlborough
SAUVIGNON BLANC
2010
MONTANA
MUMM

Chairman's Message

It is with a sense of great pride that I present the annual report of your Company as it celebrates one hundred years of existence. The financial year 2012-13 saw the Company continue on its trajectory of growth towards further heights of excellence, while contributing positively towards the domestic economy and the national exchequer.

Dear Shareholders,

In this very special year of centenary celebrations, I extend my warmest congratulations to the management and staff of the Distilleries Group. I also acknowledge efforts made by the national regulatory bodies towards fostering a law-abiding environment for the company to conduct its legitimate business. I extend my gratitude to our loyal customers who have remained consistant and true to our brands over the years. Your support has inspired us to keep improving and forging ahead, despite the many challenges we have faced over the years. We remain as committed today to providing the country with quality products as we were a 100 years ago.

We are extremely proud of our heritage, and as a diversified group of companies, we have evolved into a significant economic force within the country. Since privatisation in 1992, your Company ventured into many other sectors such as Plantations, Telecommunication, Leisure, Textiles, Finance, Insurance, Hydro Power and IT services. This diversity enabled us to mitigate the dependency on the alcohol sector. The Group remains dedicated to ensuring that you, our stakeholders, are truly partners in our journey.

In this centenary year, it is with great pleasure that I announce that in December 2012, Fitch Ratings assigned DCSL a national long term rating of AAA (lka) with a stable outlook; the highest possible credit rating, which means that your Company joins the few elite AAA rated corporates in Sri Lanka. I am extremely proud and encouraged by this rating, as it is proof of the excellent management and stability of our Company.

Melsta Regal Finance Limited (MRFL), the most recent addition to the Group, was also assigned an A+ (lka) rating with a stable outlook by the same agency. The rating achieved by MRFL is significant, as it is an exceptional credit rating for a finance company. I am confident that MRFL

Rs. 40 Bn

Taxes paid 2012/13

18,674

employees in the group

"Fitch Ratings assigned DCSL a national long term rating of AAA (lka) with a stable outlook; the highest possible credit rating, which means that your Company joins the few elite AAA rated corporates in Sri Lanka"


1913-2013
100
years

Chairman's Message

"Despite the many social and economic evils of the illegal alcohol industry, the country's taxation policy encourages its growth, while causing the legal, regulated and responsible sector to shrink"

will continue to uphold its present standards and excel in its performance in the coming years. With the growing domestic demand for financial services, MRFL is poised for exponential growth, and therefore our strategy is towards enhancing investments in MRFL with the dual purpose of expanding our presence in the financial sector, whilst supporting overall economic growth.

Our Performance

A number of policy and regulatory changes during the current financial year resulted in an adverse impact upon the Company's operations. The Company faced a sharp increase in taxes which had a direct and significant impact on demand. As a result of tax increases, the Company was compelled to increase prices on four occasions during the year. The sharp rise in tax on alcoholic beverages is disproportionate to the increase in income level of daily wage earners, fishermen and plantation workers, thereby compelling them to shift their demand towards illicit liquor. This is a notable change that has taken place in consumer demand, entirely due to issues related to affordability. Therefore, I take this opportunity to place on record, as I have done previously, my concerns regarding the overall adverse impact on society, the economy at large and the Government revenue, due to excessive taxation on the legal alcohol industry.

As an ethical business that is responsible to the State and its people, and accountable for its actions, we strictly adhere to the NATA Act and follow this Act to the very letter. We do not directly or indirectly induce young people into alcoholism, and never, under any circumstance, target children. Any form of promotional campaign undermines the NATA Act. However, certain industry players circumvent the Act and resort to various subtle, tactical and innovative campaigns. Yet, quite often authorities turn a deaf ear and a blind eye to such actions.

Nevertheless, despite mounting pressure against us, we have continued to ensure that high-quality products, manufactured under stringent quality standards, reach our customers. We are also one of the largest contributors to State revenue in the form of taxes, thereby indirectly contributing towards the social and economic welfare of the country. As we declare and pay excise duty on 100% of our production, DCSL and Periceyl have contributed Rs 40 billion in taxes to the State during the year under review. Yet, there is much negative attention focused upon our business, whereas taxes that go unpaid and the ill-effects of the thriving illicit alcohol industry continue to go unheeded. I firmly believe the thriving underground industry should be the prime focus of the national authorities in their endeavour to address alcohol abuse and its resultant social problems. We are willing to extend our unstinted support towards initiating counter-measures to contain this situation.

During the current financial year the gross revenue of the Group increased to Rs. 65.8 Bn, while the Company recorded Rs. 51.5 Bn. Group Profit after Tax for the year was Rs 5.3 Bn, while the Company's normalised Profit was at Rs 3.2 Bn (without the Intra-group capital gain of Rs. 3.7 Bn included in the Company's results). With this capital gain included, Company's Profit after Tax was 6.9 Bn. Due to challenges experienced in some sectors of the economy two of our subsidiaries, Lanka Bell and Texpro, experienced losses. Having taken cognisance of the above developments, the Companies have initiated comprehensive strategies that would enable the respective entities to return to profitability. Lanka Bell will launch a 4G-LTE Network in the next financial year, which will position Lanka Bell amongst the other next generation telecommunication service providers in the country. With regard to our plantation sector, Balangoda Plantations recorded satisfactory performance with a turnover of Rs. 2.8 Bn and a pre-tax profit of Rs. 110 Mn. This was achieved despite the extreme weather conditions experienced during the year.

The uncertainties surrounding the status of our subsidiary Pelwatte Sugar Industries continued to weigh upon the Company during the current financial year. Following the expropriation of the factory by the State, the ownership of this property remains unresolved. The Company has not changed its advocated position of being the legal owner of the property since the occurrence of this unfortunate incident, and as such, we have communicated our views to the Treasury. However, as a precautionary measure, the Company has also lodged an official claim with the Compensation Tribunal appointed by the State. We hope that some clarity regarding this untoward situation would be forthcoming within the new financial year.

Further, with regard to Sri Lanka Insurance Corporation Ltd. (SLIC), we still await the payment of profit earned during the DCSL Group's tenure at the helm of SLIC. We are hopeful that the profit earned to be paid as per the Supreme Court directive will be reimbursed to us, as early as possible.

Beverage Sector

DCSL's primary business is the manufacture of high quality hard liquor beverages, and it is the leader in the alcohol industry in Sri Lanka through a range of locally produced alcohol brands and a portfolio of premium imported liquor brands. Currently these popular alcoholic beverages account for a major proportion of Group revenue. Gross turnover of the beverage sector increased by 6.8 % to Rs. 56.5 Bn during the year, despite the four price increases resulting mainly due to increase in taxes.

We commenced modernisation of our production facility in Seeduwa in line with our long-term strategic vision of sustaining our leadership position within the local market, whilst ensuring future expansion opportunities. The current investments initiated with regard to automating manufacturing facilities will pave the way for multiple benefits including, greater production capacity, and cutting down ever-increasing costs, enhanced sanitation standards, and overall quality improvements. The above upgrade will also enable our manufacturing facilities to accommodate diverse bottle shapes and at optimum running efficiency, thus ensuring greater value addition for our consumers and stakeholders. DCSL adheres to stringent quality controls right throughout the production process which is monitored by qualified and accountable professionals. Research and development is carried out in modern, fully-equipped laboratories to ensure that the Company continues to innovate. The products we introduced in the recent past, such as Narikela and the flavoured Arrak range in Mango, Lemon, Apple and Passion Fruit, have been well-patronised by consumers.

Although the alcohol industry is often seen as morally questionable, I must re-emphasise that we are a highly responsible business that complies with all relevant regulations. We do not condone, nor do we resort to, any illegal business practices. On the contrary, we have invested in state-of-the-art manufacturing facilities to ensure international quality standards, whilst applying extensive measures within the overall manufacturing process to mitigate the potentially adverse impacts on the environment. Since the end of the war, we have introduced high-quality, legally manufactured alcohol to the North and East. This has helped somewhat in containing the public menace of illicit alcohol, which is observed to be highly dangerous due to the unsanitary manufacturing processes it undergoes.

Nevertheless, despite the many social and economic evils of the illegal alcohol industry, the country's taxation policy encourages its growth, while causing the legal, regulated and responsible sector to shrink. In this context I would like to raise a red flag on the emerging trend of legal entities understating their output, in order to pay lower taxes and

Chairman's Message

"The unique and traditional Sri Lankan toddy industry, which has been passed down over many generations, is becoming an endangered industry. The main contributory factor is the considerable rise in the number of illegal, artificial toddy manufacturers"

thereby placing lower priced products on to the market. The paint industry and cologne industry are increasingly becoming a façade for the importation of spirits in order to pass through customs, while also becoming a front for the illegal manufacture and sale of liquor, which naturally comes on the shelves cheaper than those that are heavily taxed. Therefore, it is vital that the regulators enforce the law and contain the widespread corruption that fuels such illicit business activities, in order to ensure a fair playing field within the local market for law-abiding businesses.

The toddy industry is collapsing alarmingly. Toddy suppliers are giving up their business by leasing or selling their lands and trees. The supply of toddy is decreasing every year. This unique and traditional Sri Lankan industry, which has been passed down over many generations, is becoming an endangered industry. The main contributory factor is the considerable rise in the number of illegal, artificial toddy manufacturers. Everyday large quantities of artificial toddy are transported to manufacturers, while law-enforcing authorities turn a Nelsonian eye. Given the growth rate of such illegal activities, action must be taken urgently to prevent the further expansion of this illicit industry, in order to prevent a public health hazard. Such illegal and dangerous products could lead to poisoning, and even result in the death of unsuspecting consumers. Most alarmingly the Excise Department is permitting these unscrupulous operators to distribute artificial toddy and pass it across to manufacturers instead of exercising and enforcing regulations to safeguard the Excise Ordinance.

We are the only Company that produces 100% natural coconut arrack using 100% pure coconut toddy distilled in our own distilleries, providing consumers a 100% natural product, vis-a-vis with our competitors, who purchase spirits produced using artificial toddy, who are now on a rampage. Artificial toddy is made from fertiliser and various other substances which are harmful for human consumption. It is unfortunate and sad to mention that artificial toddy is used to produce spirits, and unscrupulous suppliers are having a field day selling them to manufacturers who do not have distilling facilities. Today, manufacture of artificial toddy has become another big business for unscrupulous manufacturers, avoiding all taxes and norms in the industry. Misled consumers unknowingly, continue to patronise such fake products assuming they are high quality natural products. In order to ensure the quality of toddy, we have invested in computerised laboratories and the latest equipment, which our trained and experienced staff utilise, to detect adulteration by toddy suppliers. We have carefully selected our toddy suppliers, and the toddy is subject to constant checks for possible adulteration.

The advent of Excise notification 892, whereby a transferor could transfer a FL(4) license to a transferee for Rs. 500,000/- and Rs. 150,000/- for other types of licenses, opened the door for unscrupulous manufacturers, who gleefully welcomed this unfortunate regulation with both hands and obtained licenses in the names of their kith and kin, thereby dumping their uninvoiced liquor with ease. It is regretted that although the conditions of the manufacturing license indicate that a manufacturer is prohibited from having any interest in the retail sale of liquor, this condition is blatantly violated, and uninvoiced liquor is distributed under the very nose of enforcement agencies. A recent detection of four lorry loads of uninvoiced arrack destined to the North and East was fined Rs. 90 Million, which was paid by the concerned parties without batting an eyelid.

It is regretted that in the recent past the importation of ethanol at 96% A/Vol. has been substituted with methanol, which is used for industrial purposes, in order to qualify for a low band of tax. Such unscrupulous importers have used fictitious names and addresses in order to clear consignments. Eventually, such spirit is utilised in the production of tax unpaid liquor, which is then supplied uninvoiced to wine stores at approximately a 30% to 40% lower value than the labeled price. With the excise duty component being over 50%, it raises the question as to how these acts are committed under the very nose of the Regulator, defrauding Government revenue by the billions. The cure to this problem is that the Government should discontinue the issue of licenses to import methanol as a raw material for industrial purposes.

The most unfortunate event in the recent past is that certain officials from the law enforcement agencies have been known to promote tax unpaid and uninvoiced liquor to retailers. Cogent evidence has surfaced that there are uniformed officers who, instead of exercising and enforcing the Excise Ordinance, are quite blatantly and openly violating the law by promoting tax unpaid liquor to FL(4) licensees. It is regrettable to witness officers in uniform openly performing a sales act to unscrupulous licensees who are operating in large numbers and forcing licensees to buy tax unpaid products against their will. The licensees have no option but to face TCR action if they do refuse to purchase same, falling prey to these corrupt officers who are depriving the Government of billions in revenue. This is very common in the North and East where such products are freely available in the market, and prices are 30% to 40% less than a tax paid product. We have brought the said issues to the notice of the regulator who maintains silence, and is yet to take action to bring wrongdoers to book.

Much needed peace has dawned after 30 years due to the direction and untiring efforts of H.E. the President and the Secretary of Defence. All the good work carried out towards nation-building is unfortunately drowned by the acts of those who supply polluted alcohol to consumers, as the regulators continue to turn a blind eye, encouraging such acts openly. It is high time that the Government takes serious notice of such man-made lapses, and adopts stringent measures against such corrupt officers and takes them to task.

The Future

If the aforesaid challenges could be overcome and corrected, it would result in a safer and more ethical business environment across the industry.

The current environment of peace and political stability coupled with the rapid developments in infrastructure augur well, with many opportunities opening up. We have already set in motion a comprehensive strategy for the Company within this positive environment. With the formation of Melstacorp Limited, it is now possible for the Group to focus more on non-alcoholic business activities.

Appreciation

In concluding this message I would like to extend my appreciation to the Board of Directors, the management and employees of the Company at all levels. My appreciation also goes out to the regulators for their contributions. Our shareholders deserve special appreciation for their continued confidence in all our endeavours. Finally, I extend my thanks to all our retailers & loyal customers and look forward to their continuing support.

D. H. S. Jayawardena
Chairman/Managing Director

16 August 2013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Board of Directors

1913-2013
100
years

1. Mr. D. H. S. Jayawardena
Chairman/Managing Director

Mr Harry Jayawardena is one the most successful and prominent business magnates in Sri Lanka. He was elected Chairman of the DCSL Group in 2006 after serving as its Managing Director for almost two decades. He heads many successful ventures in diversified fields of business. He is the founder Director and the present Chairman/Managing Director of the Stassen Group of Companies.

He is the Chairman of Aitken Spence PLC, Aitken Spence Hotel Holding PLC, Lanka Milk Foods (CWE) PLC, Madulsima Plantations, Milford Exports (Ceylon) (Pvt) Ltd., Ceylon Garden Coir (Pvt) Ltd., Ambewela Products (Pvt) Ltd., Ambewela Livestock Co. Ltd, Danish Dairy Products Lanka(Pvt) Ltd., Lanka Dairies (Pvt) Ltd., Melstacorp and its subsidiaries; Balangoda Plantations, Brown Beach Hotels PLC, Lanka Bell Ltd., Periceyl (Pvt) Ltd, Bogo Power (Pvt) Ltd and Texpro Industries Ltd.

He is a former Director of Hatton National Bank PLC; the largest listed bank in Sri Lanka and former Chairman of Ceylon Petroleum Corporation and Sri Lankan Airlines.

Mr Jayawardena is presently the Honorary Consul for Denmark and was the only Sri Lankan honoured with the prestigious "Knight's Cross of Dannebrog' by Her Majesty, Queen Margrethe II of Denmark, for his significant contribution to the Danish arts, sciences and business life.

2. Mr. R. K. Obeyesekere
Non-Independent Non-Executive Director

A Director of the Group since 1992, he counts over 30 years of experience in the export sector of the country. He is a Founder Director of Stassen Group of Companies and the Managing Director of CBD Exports Ltd. He is also a Director of Lanka Milk Foods (CWE) PLC, Balangoda Plantations PLC, Madulsima Plantations PLC, Periceyl (Pvt) Ltd., Melstacorp Ltd., Milford Holdings (Pvt) Ltd., Zahara Exports (Pvt) Ltd., Lanka Power Projects (Pvt) Ltd., Milford Exports (Ceylon) (Pvt) Ltd., Lanka Dairies (Pvt) Ltd., Danish Dairy Products Lanka (Pvt) Ltd., Ceylon Garden Coir (Pvt) Ltd., Milford Developers (Pvt) Ltd., Ambewela Livestock Co. Ltd. and Pattipola Livestock Co. Ltd.

3. MR. C. R. Jansz
Director

Mr C R Jansz has many years of experience in logistics in the Import / Export field and in Documentation, Insurance, Banking and Finance relating to international trade. He serves on the Board of Distilleries Company of Sri Lanka PLC, Balangoda Plantations PLC, Lanka Milk Foods (CWE) PLC and several other companies of the Distilleries Group.He was the former Chairman of Sri Lanka Shippers Council and former member of the National Trade Facilitation Committee of Sri Lanka. Mr. Jansz holds a Diploma in Banking and Finance from the London Guildhall University – UK. He is also a Chevening Scholar and a UN-ESCAP Certified Training Manager on Maritime Transport for Shippers.

4. Mr. N. de S. Deva Aditiya
DL, FRSA
Independent Non-Executive Director

Mr Niranjan Deva Aditiya, an aeronautical engineer, scientist and economist, Fellow of the Royal Society for Arts, Manufacture and Commerce (Est.1765). He is a Conservative Member of the European Parliament elected from South East England. He is the Vice-President of the Development Committee; ECR Coordinator and Conservative Spokesman for Overseas Development and Co-operation. He was the first Asian to be elected as a Conservative Member of the British Parliament; the first Asian MP to serve in the British Government as PPS in the Scottish Office and the first Asian born MP to be elected to the European Parliament. Mr Deva Aditiya, Hon. Ambassador without portfolio for Sri Lanka; the first Asian to be appointment as Her Majesty's Deputy Lord Lieutenant for Greater London, representing The Queen on official occasions since 1985. He was awarded the honour "ViswaKirthi Sir Lanka Abhimani" by the Buddhist Clergy for his Services to Sri Lanka and given the Knighthood with Merit of the Sacred Constantinian Military Order of St. George for his global work on poverty eradication. He also serves on the Board of Aitken Spence PLC.

5. Capt. K. J. Kahanda (Retd.)
Executive Director

Captain Kahanda joined the Company in 1993 as Regional Manager (Central Region) and was appointed a Director in December 2006. Being a former officer of the Sri Lanka Army, he spearheaded the re-organisation of the operations of the Central Region since privatisation. He specialises in logistics, distribution and security matters, and is also a Director of G4S Security Services (Pvt) Ltd. and Pelwatte Distilleries (Pvt) Ltd., a subsidiary of the Group.

6. Mr. C. F. Fernando
FCA
Independent Non-Executive Director

Mr. Fernando, who previously served as the Managing Director and as Chief Executive Officer of Distilleries Company of Sri Lanka PLC, rejoined the company as an Independent Non-Executive Director in 2008. He is the Chairman of the Audit Committee and also serves on the Remuneration Committee. Qualified as a Chartered Accountant from the Institute of Chartered Accountants of England and Wales, he is also a Fellow of the Institute of Chartered Accountants in Sri Lanka. Mr. Fernando is a Director of DCSL subsidiary Melstacorp Ltd. and Continental Insurance Lanka Ltd., where he serves as the Chairman of the Audit Committee. He counts over 18 years of experience in financial and general management of plantation companies and agency management as Senior Accountant at Carson Cumberbatch & Co. Ltd., followed by 10 years experience as Director - Finance in Projects involving paddy cultivation, shipping agency, non-traditional exports, bottling of soft drinks, earth moving contracts. He is presently a Director of Selinsing PLC and Equity Three (Pvt) Ltd. of the Carsons Group. He was once Finance Director of the National Lotteries Board, a Director of the Coconut Cultivation Board and a former Chairman of Low Country Products Association (LCPA). Presently, he is a Senior Trustee of the Ceylonese Rugby and Football Club.

7. Dr. Naomal Balasuriya
MBBS [Sri Lanka], MBA [Sri.J], CIM [UK], MCGP[SL], MSLIM, MIMSL
Independent Non-Executive Director

Dr Naomal Balasuriya, a medical doctor turned- entrepreneur is internationally sought after as a life-changing motivational speaker. His professional expertise ranges from medicine, military, management, marketing, mentoring to motivational speaking. He holds both the Master of Business Administration (MBA) and CIM (UK) qualifications. Having worked in the government sector, private sector and the Sri Lanka Air Force as a medical doctor, he now leads his entrepreneurial training company, Success Factory. He is also a director of Melstacorp Ltd, a subsidiary of the Group.

8. Ms. V. J. Senaratne
Attorney-at-Law, Notary Public, Solicitor (Eng.& Wales)
Alternate Director to K. J. Kahanda/ Company Secretary and Chief Legal Officer

Ms. Senaratne was appointed as the Company Secretary in 1993. She was admitted to the Bar in 1977 and was enrolled as a Solicitor (England & Wales) in June 1990. She also holds the position as Company Secretary of Periceyl (Pvt) Ltd.

9. Mr. Amitha Gooneratne
FCA(SL),FCA(Eng.& Wales)
Alternate Director to N. de S. Deva Aditiya

Mr. Amitha Gooneratne has held several senior positions at Commercial Bank of Ceylon PLC and served as the Managing Director from 1996 to April 2012. He is a Fellow member of The Institute of Chartered Accountants, United Kingdom and Wales and a Fellow member of The Institute of Chartered Accountants, Sri Lanka. He was the Founder Chairman of the Financial Ombudsman Sri Lanka (Guarantee) Ltd., and former Chairman of the Sri Lanka Banks' Association (Guarantee) Ltd. He was the former Chairman of the Sri Lanka Banks' Association (Guarantee) Ltd. He was also the Managing Director of Commercial Development Company PLC, a Public Quoted Company listed in the CSE and was the Chairman of Commercial Insurance Brokers (Pvt) Limited. He was also nominated to the Board of Sri Lankan Air Lines during 2002–2004 by the Government of Sri Lanka.

On his retirement, Mr. Gooneratne, assumed duties as Managing Director of Melstacorp Ltd., which is the strategic investment arm of the Distilleries Company of Sri Lanka PLC. He is the Chairman of Melsta Regal Finance Ltd., and Melsta Logistics (Pvt) Ltd., Board member of Periceyl (Pvt) Ltd., Balangoda Plantation PLC, Lanka Bell Ltd., Telecom Frontier (Pvt) Ltd., Bell Solutions (Pvt) Ltd., Bellvantage (Pvt) Ltd., Timpex (Pvt) Ltd., Texpro Industries Ltd., Bogo Power Ltd., Continental Insurance Lanka Ltd., and Browns Beach Hotel, which are subsidiary companies of Melstacorp Ltd., He is also the Alternate Director to Mr N.de S. Deva Aditiya on the Board of Aitken Spence PLC.

He is an independent Director of Textured Jersey and Lanka IOC and Commercial Development Company PLC.

Group Management

STANDING L TO R :

Prasad Samarasinghe - Managing Director - Lanka Bell Ltd., Janaka Abeysinghe - Director - Melsta Logistics (Pvt) Ltd., Nishaman Karunapala - Director/ CEO - Melsta Regal Finance Ltd., Senaka Amarathunga - Director/ General Manager - Periceyl (Pvt) Ltd., Chaminda De Silva - Executive Director - Continental Insurance Lanka Ltd., Cleetus Mallawaarachchi - Group Financial Controller/ Director - Lanka Bell Ltd., Texpro Industries Ltd., Melsta Regal Finance Ltd., Melsta Logistics (Pvt) Ltd., Capt. Ranjith Wettewa SLN (Retd.) - Director – Pelwatte Sugar Industries PLC

SITTING L TO R :

Dinal Peiris - Managing Director - Texpro Industries Ltd., Asoka Abeyewardene - Director - Continental Insurance Lanka Ltd., Maximus R. Peries - CEO - Distilleries Company of Sri Lanka PLC/ Director - Pelwatte Sugar Industries PLC, Lanka Bell Ltd., Melsta Logistics (Pvt) Ltd., Capt. K.J. Kahanda (Retd.) - Managing Director - Pelwatte Sugar Distilleries (Pvt) Ltd./ Director - Pelwatte Sugar Industries PLC, Melsta Properties (Pvt) Ltd., Milford Holdings (Pvt) Ltd., Melstacorp Ltd., Lalith Obeyesekere - Director/ CEO - Balangoda Plantations PLC, Madulsima Plantations PLC, Amitha Gooneratne - Managing Director - Melstacorp Ltd., Bellvantage (Pvt) Ltd./ Chairman - Melsta Regal Finance Ltd., Melsta Logistics (Pvt) Ltd./ Director - Continental Insurance Lanka Ltd., Periceyl (Pvt) Ltd., Lanka Bell Ltd., Texpro Industries Ltd., Bogo Power (Pvt) Ltd.

DCSL Management

STANDING L TO R :

Brig. Aruna Wijewickrama (Retd.) - Regional Manager - Central Region, Lalith Ratnayake - Head of Inventory Management, Ms. V. J. Senaratne - Company Secretary & Chief Legal Officer, Nimal Nagahawatte - Head of Finance, Maj. Gen. Siri Peiris (Retd.) - Regional Manager - Southern Region, S. Rajanathan - Head of Procurement, Maj. R. M. Cabraal (Retd.) - Regional Manager - Northern Region, L. P. Liyanaarachchi - Chief Internal Auditor, Maximus R. Peries - Chief Executive Officer, Roshanth Kumar Perera - Head of Transport & Logisics, Capt. Ranjith Wettewa SLN (Retd.) - Regional Manager - Uva Region, Ms. Gayathri Chakravarthy - Head of Human Resources

MANAGEMENT DISCUSSION & ANALYSIS

1913-2013

100

years

Management Discussion & Analysis

As the proud inheritors of 100 years of history and tradition, the Distilleries Group of Sri Lanka qualifies not only as an economic powerhouse but as an entity that has helped shape the national economy over the past 100 years. Our activities over the span of a century have uplifted the standard of living of the people in our country through employment and income generation while enhancing state revenues. We are rich in heritage and tradition with years of experience in the local economy, making us specialists in our field. As we mark our centenary year, we are committed to growth and development towards enhancing our contributions to the national economy.

It gives us great pride to place on record that in December 2012 the international rating agency Fitch Ratings, assigned DCSL the highest credit rating AAA (lka) with a stable outlook reinforcing the prudent management of finances and our corporate stability. Meanwhile, the latest addition to the DCSL family, Melsta Regal Finance Limited, was assigned A+ (lka) rating with a stable outlook. This rating for a new finance company is a key milestone.

Group Overview

In continuing with the last year restructuring plan of the Group, the diversified investments of the Group were aligned to Melstacorp Limited thus providing greater focus to this sector.

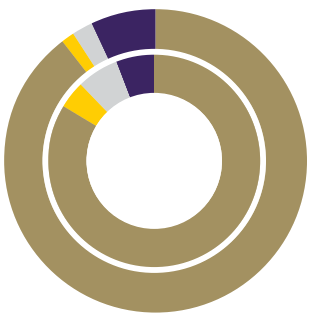
Our newest member, Melsta Regal Finance Limited was officially launched and commenced its commercial operation in October 2012. Melsta Regal Finance Limited is a registered finance company, under the Central Bank of Sri Lanka, and offers products ranging from Leasing, Hire Purchase, Factoring, Trade Finance, Loans and Investment.

The uncertainty regarding the expropriation of Pelwatte Sugar Industries PLC (PSIP), under the Revival of Underperforming Enterprises and Underutilised Assets Act (Act) in November 2011, continued unresolved during the current financial year. We have not changed our stand that we are the legal owners of PSIP, although the company was listed as an underutilised asset in the Act. Subsequently a Compensation Tribunal was formed as required by the Act and PSIP submitted a claim to the Compensation Tribunal. Further, the Commercial High Court of Western Province (Colombo Civil) issued a winding-up order of Pelwatte Sugar Industries PLC on 13 March 2013 and appointed Liquidators.

Further, with regard to Sri Lanka Insurance Corporation Ltd. (SLIC), we still await the payment of profit earned during the DCSL Group's tenure at the helm of SLIC. We are hopeful that the profit earned to be paid as per the Supreme Court directive will be reimbursed to us early as possible.

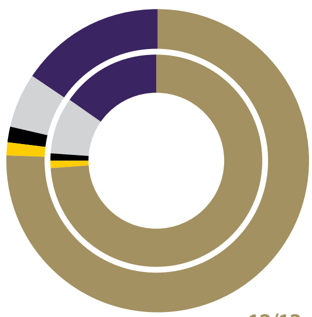
Group Performance

Gross Turnover
(Rs. Mn.)



	12/13	11/12
Beverage Sector	**56,479**	52,908
Plantation Sector	**2,780**	2,659
Telecommunication Sector	**3,997**	3,960
Diversified Sector	**2,534**	3,598
	65,790	63,125

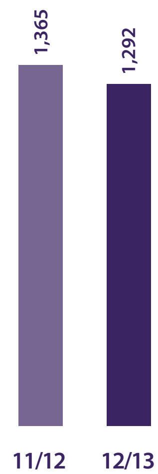
Profit Before Tax
(Rs. Mn)



	12/13	11/12
Beverage Sector	**6,349**	6,636
Plantation Sector	**110**	116
Telecommunication Sector	**(150)**	94
Diversified Sector	**483**	766
Share of Profit of Equity Accounted Investees	**1,292**	1,365
	8,084	8,977

Equity Accounted Investees

Share of Profits
(Rs. Mn)



Management Discussion & Analysis

Group Performance Overview

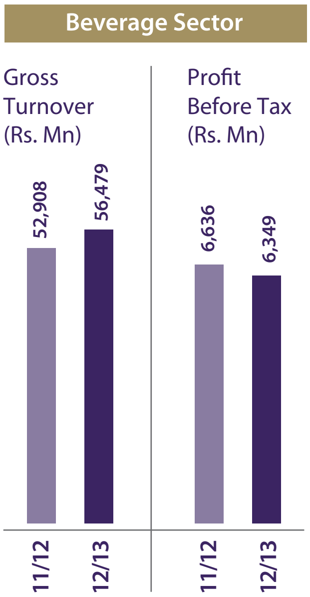
We continue to maintain our position as the leader in the domestic, legal alcohol industry, and continued to gain headway in other diversified sectors. However, we would like to raise the red flag regarding the country's rapidly shrinking legal alcohol market. The repeated tax increases on the legal alcohol industry has caused the regulated, taxpaying, legal alcohol sector to shrink on a daily basis, and the illegal alcohol sector to expand exponentially. As the alcohol business accounts for a major share of Group revenues, the shrinking legal alcohol industry had a negative impact on our overall performance, by reducing the rate of growth that would otherwise have been much higher. We find that while consumer demand for alcohol has not changed substantially it is shifting towards the illegal market due to the tax induced higher prices of legally manufactured alcohol. This lowering demand for legal alcohol had a direct impact on our overall bottom line.

The Group's gross revenue recorded an increase of 4.2 % to Rs. 65.8 Bn (to the exclusion of Pelwatte Sugar Industries (PSIP) financials) in the current year. Group's Profit before Tax (PBT) was Rs 8.1 Bn while Profit after Tax (PAT) was Rs 5.3 Bn. The total net turnover for the Group was Rs 28.8 Bn, which is a growth of 6.6% from the previous year. The contribution to total revenues from the alcoholic beverages sector was Rs. 56.5 Bn and continues to be the largest contribution to the bottom line. Group plantation interests contributed revenue of Rs. 2.8 Bn, telecommunications Rs. 4 Bn and diversified businesses Rs. 2.5 Bn. Share of Associate Investees contributed PBT of Rs. 1.3 Bn to Group's profitability. The Group's total assets increased to Rs.78.2 Bn from Rs. 73.3 Bn and the net assets per share gained to Rs 159.93 from Rs.138.59. By end March 2013, the market price per share stood at Rs.166.50, the highest traded price being Rs.190.00 and the lowest being Rs.117.00.

Beverage Sector

Alcoholic beverages remain our core business and the largest contributor to Group revenues. DCSL is the domestic market leaders in both local and foreign liquor segments. During the current financial year, both DCSL and Periceyl continued to maintain profitability despite the challenges posed to the legal alcohol business in the country.

Gross turnover of DCSL was increased to Rs.51.5 Bn, which is a 4.9 % YoY growth. Periceyl's gross turnover increased by 28.8 % to reach Rs.5.6 Bn and achieved a remarkable 58% growth in the PAT. DCSL recorded a decrease in normalised Profit after Tax to Rs 3.2 Bn mainly due to high finance costs. (Current year's PAT includes intra-group capital gain on transferring of shares amounting to Rs.3.7 Bn). Noteworthy to mention, the beverage sector contributed Rs.37 Bn to the State by way of Excise Duty.



Our consistent performance, in the face of growing challenges to the legal alcohol industry is an indication of the high quality and consumer trust in our brands. Despite much lower priced alcohol flooding the market, we continue to see encouraging customer loyalty by discerning customers who appreciate the quality standards and taste of our products. We must also emphasise that unlike most businesses, we are unable to advertise to build market awareness and brand value. Therefore, our ongoing success can be attributed to our management skills and consumer loyalty. We will continue to sustain consumer loyalty and will uphold our promise to deliver better products for our consumers.

Periceyl's premium local liquor brands include Black Opal Arrack, Tillsider Whisky, Franklin and Gallerie Brandy (The two brandies account for half of the local brandy market). Tillsider Whisky has shown a very positive growth over last year. Furthermore, the flavoured Arraks sustained popularity with a range of flavours including mango, apple, lemon and passion fruit. The flavoured range maintained its volumes while Black Opal continued its leadership status.

Our foreign liquor portfolio continued with its mainstream products including Chivas Regal, The Glenlivet, Absolut Vodka, Martel, Kahlua & Malibu. Periceyl secured an encouraging volume growth in distributing prestigious wines such as Jacob's Creek from Australia, Terra Andina from Chile and Albert Bichot from France. We anticipate strong and sustained demand for our range of foreign alcohol with growth in the tourism, mega sports, entertainment and social events.

We continue to strengthen relationships with our valued business partners ensuring efficient distribution of products and also spread brand awareness in clubs and restaurants.

Melstacorp Limited

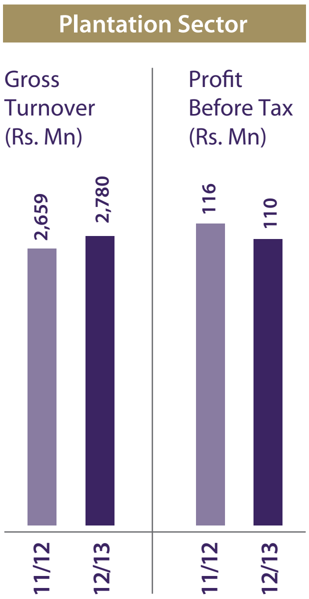
As part of our Group restructuring plan, DCSL share holdings of subsidiaries and associates were realigned to Melstacorp Limited, thus enabling Melstacorp to provide greater focus and attention to the diversified investments of the DCSL Group. Thus Melstacorp has 18 subsidiaries (direct/ indirect) and 3 associate companies under its wing, in the areas of technology, plantations, insurance, finance & leasing, textile, logistics, power generation, leisure and media.

In line with the Group's philosophy, several steps were taken to build Group culture and strengthen the shared services structure. Some of the key areas of shared services such as treasury, finance, audit and control, and human resources, were put in place, and are now effectively engaged in activities of the Group. Our strategy is to further strengthen the business potential of all companies under a common business model. During the new financial year, we will continue our efforts to strengthen shared services and build a common brand under the "Melsta" umbrella. This will enable us to reduce advertising costs and divert resources for development activities of the Group. We will also develop innovative mechanisms to capitalise on Group synergies and provide supplementary services to Group companies. In the next 5 years Melstacorp is expected to emerge as a diversified conglomerate, whilst reducing DCSL Group's dependence on the alcohol sector.

Plantation Sector

Despite adverse climatic conditions, the plantation sector performed well during the current financial year due to strong tea prices and a peaceful work environment. Our plantation company Balangoda

Management Discussion & Analysis



Plantations PLC (BPL), recorded a pre-tax profit of Rs.110.31 Mn, supported by favourable tea prices during the Second half of 2012 that outperformed depressed rubber prices experienced in certain quarters of 2012. The year was also free of major industrial action that disrupts work flows. The turnover of the Company increased to Rs. 2.8 Bn from Rs. 2.6 Bn in 2011.

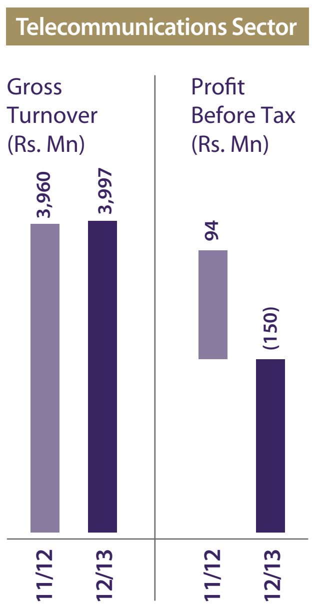
BPL also continued to invest in the plantation sector through development projects and crop diversification. A total of Rs. 300 Mn was injected into field development, plant and machinery, worker housing, community infrastructure and other development projects. An extent of 22.55 hectares was planted with Eucalyptus Torrelliana, putting the total extent at 367.86 hectares and 388.24 hectares was diversified into rubber. BPL also complied with the forestry/crop diversification activities prescribed for the year 2012, under the Forestry Management Plan, approved by the Plantation Management Monitoring Division of the Ministry of Plantation Industries.

We are proud to note that various grades of tea, manufactured by Pettiagalla, Glen Alpin, Meddakande, Balangoda, Cecilton , Non Parel , Telbedde, Palmgarden, Ury, Wewesse, and Spring Valley Estates, obtained all island top prices on 255 occasions, at the Colombo Tea Auctions. Various grades of rubber, from Mahawela, Mutwagalla, Millawitiya, Rambukkande, Galatura and Palmgarden Estates, obtained top prices on 56 occasions.

Telecommunications

The telecom industry experienced a steep rise in their operational costs during the year mainly resulting due to price revisions on fuel and electricity tariffs. Such cost increases could not be passed down to the customers as a result of the intense competition prevalent in the industry, together with the tight regulation governing the telecom tariffs in the market. These challenges resulted in the telecommunication sector recording a loss for the year. However, Lanka Bell managed to sustain EBITDA margin of over 30% which compares well with the industry average. In the year ahead new strategies in place to reduce costs and improve revenues with a view to moving to profitability.

Revenue generated from the FLAG undersea cable recorded an encouraging growth compared to the previous year. The growth in data revenue has also strengthened and this is an area the company will continue to focus, as growth in voice related services is reaching saturation point.



Lanka Bell carried out a technology upgrade in NGN (Next Generation Network) switch during the year in order to improve customer experience while significantly saving costs.

In the coming financial year, Lanka Bell will be embarking on a new journey with the launch of its 4G-LTE Network, which will take the company to the next level in telecommunications. With the introduction of this latest technology, Lanka Bell will be able to offer world class data solutions to customers, while providing access to greater bandwidth, at faster speeds. With this launch the company will be just one of three operators in the country, to have a 4G-LTE Network.

Diversified Businesses

Continental Insurance

Continental Lanka Limited (CILL) recorded a Gross Written Premium (GWP) of Rs.1.64 Bn during the year under review which is an increase of 34% compared to the Rs.1.22Bn recorded in the previous year. The company controlled 3.2 % share of the general Insurance market that recorded a 15% growth during the year. Motor Insurance premiums contributed by 61% to the GWP of the company, while other non-motor insurance premiums recorded the balance 39% where fire insurance premiums recorded 81% of the non-motor insurance segment.

The branch network of CILL consisted of 30 branches as at 31 December 2012, dispersed around the country, including the North and East.

CILL coverage is expansive and able to provide security and safety which has resulted in some mega infrastructure and hospitality projects gaining the Continental Insurance expertise and cover. CILL was successful in capturing and adding the business of some of the country's largest infrastructural development projects such as the installation of double circuit transmission lines in the North and East, large power plants and road development projects which will ultimately help in connecting expressways and highways emanating from the city of Colombo. Hotelier's comprehensive policies have also been provided to large hotel chains in Sri Lanka and the Maldives. Further event cancellation insurance policies were issued for the most celebrated international cricket matches played in Sri Lanka in the year 2012, which positively contributed to the bottom line of the Company. CILL has comprehensive reinsurance arrangements to ensure Company's risks are effectively managed in collaboration with world's renowned re-insurers such as Swiss Re, Lloyds, General Insurance Corporation of India, Malaysian Re, Best Re, Hannover Re.

Further, CILL implemented insurance IT application to support its operational activities and disaster recovery measures for its mission critical services. Additionally, support systems like the Oracle Financial system was

Management Discussion & Analysis

implemented to ensure effective management of the enterprise finance function. Furthermore, CILL has introduced EASYI, an image management solution for the motor department which enables faster processing of claims.

CILL recently unveiled their new Central Claim Processing Centre in a central location in Colombo for the convenience of their valued customers at 75 Arnold Ratnayake Mawatha, Colombo 10. The building has been specially designed to accommodate all claims processing (both Motor and non-Motor claims) under one roof which contributes to Continental Insurance's effort to improve customer service by providing a location that is efficient and convenient. Further, CILL continues to work on a better waste and energy management practices in its journey to eventually become a carbon neutral company.

CILL envisages enhancing its systems to deliver excellent customer services and efficient management of the enterprise resources. Internet and mobile technology will be used extensively in achieving this objective, thus living up to its promise of 'Service Redefined".

Melsta Regal Finance Limited

The Company is a registered finance company, under the Central Bank of Sri Lanka, and commenced operations in October 2012.

We are proud to note that, MRFL was assigned a A+ (lka) rating with a stable outlook by Fitch Ratings Lanka, in its first 6 months of operations. During its short period of operations MRFL has introduced a wide spectrum of financial solutions in leasing, hire purchase, factoring, trade finance, corporate loans and personal loans, for the corporate and SME segments. Drawing from Group synergies, MRFL introduced an integrated working capital solution encompassing LC opening, warehousing, logistics and debt factoring. This is an innovative business solution, introduced to the local market for the first time. MRFL also launched its savings products during the first 6 months of operations. This makes MRFL one of the eight finance companies offering a savings product line. MRFL recorded a profit in the current financial year.

Differentiation and specialisation in key products, characterised by a wide product range would enable MRFL to capture a profitable and sustainable niche market within the financial services landscape. MRFL has planned to expand its reach by widening its geographical presence in key outstation locations, to cater mainly to the SME sector.

Bogo Power (Pvt) Ltd

Bogo Power (Pvt) Ltd was formed to set up a mini hydro power plant, in line with DCSL's policy of conserving the environment for posterity. Bogo Power (Pvt) Ltd is registered with the Board of Investment of Sri Lanka (BOI), and the necessary approvals have been obtained from the Sustainable Energy Authority of Sri Lanka and the Public Utilities Commission of Sri Lanka for its operations. The Company has also entered into a Power Purchase Agreement with the Ceylon Electricity Board for the sale of electricity generated by the Company, over a period of 20 years.

The mini hydro project has been set up at Kirkoswald Group, Bogowantalawa, on land that has been leased from Madulsima Plantations PLC. The project was fully commissioned in December 2011 with a capacity of 4MW, and is now functioning smoothly. During the year 2012/2013, the project generated 16.2 GWH of power, exceeding the projected expectation of 15.2 GWH.

Melsta Logistics (Pvt) Limited

Melsta Logistics sustained its market position by focusing on businesses lines that are created by the related companies for both internal and external clients. The Company's unique selling proposition of cutting edge technology, machinery, equipment and unparalleled know-how on treating vehicles based on the manufacturer's specifications, has helped differentiate Melsta Logistics from its competition.

During the year, staff turnover continued to affect the Company, due to foreign employment opportunities that are available for personnel trained under the Company's international standards.

The newly formed logistics operation contributed

immensely towards the profitability of Melsta Logistics during the current financial year. Melsta Logistics is anticipating expanding this facility beyond the Group, while investing in latest technology in order to increase the usage of vehicles in a more economical manner.

Texpro Industries Limited

The financial year under review was one of the most challenging years for Texpro. Export demand remained sluggish in the face of the economic downturn in Europe and the US, and an unexpected increase in energy costs saw furnace oil prices increasing by 40%. This adverse situation compelled Texpro to re-evaluate its current strategy and to consider new business opportunities.

The new financial year however, is expected to generate positive results due to energy saving initiatives and a growth in export and domestic demand. Export demand is expected to increase significantly in the new financial year

as Texpro's foreign customer base has grown to include prestigious brands, such as Marks & Spencer, Next, George and others. The Company's first quarter sales volumes have also doubled, compared to the previous year. Meanwhile, domestic demand for fabric is also on the increase. As a response to rising energy costs, Texpro is converting hot air and steam generating systems into biomass. The first thermic oil heater is scheduled to be commissioned in October 2013.

Bellvantage (Pvt) Ltd

Bellvantage is a premier technology, consulting, and outsourcing firm. Bellvantage's core strengths lie in our well-positioned Contact Centre and Information Technology Solutions services. The Contact Centre offers a host of services, including Outsourced Call Centre, Messaging, Data Entry, and Custom Solutions for our clients' back office needs. In the current financial year, Bellvantage focused on the healthcare and consumer packaged goods industries to fuel business growth, while remaining a leader in the Insurance Solutions market. In addition, Bellvantage took on its first offshore project in Europe,

Management Discussion & Analysis

and delivered premier Customer Relationship Management (CRM) solutions for clients in some of the most demanding industries. During the year, Bellvantage also created two new business units. The first is a consulting team to deliver Oracle E-Business Suite implementation, support, and upgrade services. This team of Oracle Certified Professionals have obtained Oracle's coveted Gold Partner status. The second unit is a Digital Marketing & Social Media team, to cater to market demand for creating brand presence on highly interactive online platforms. The Company continued to acquire more market leaders and internationally recognised brands into its portfolio, attesting to its excellent value proposition, coupled with exemplary service.

Browns Beach Hotel

As we anticipate sustained growth in tourism demand in the current environment of peace and stability, we have already set in motion a comprehensive development plan for our leisure sector operations.

During the current year, Browns Beach initiated a full scale overhaul and the old hotel building was completely demolished to make way for the new building that commenced construction work in May 2012. The new, improved premises consist of 143 rooms, banqueting facilities, a spa, restaurants and bars and expected positioned at a 4 Star Plus standard, and is planning to be operational for winter 2013. We are confident our investments will generate strong positive results in coming years.

Splendor Media

Splendor Media was started as a media buying company for the Group and was later strengthened with a creative arm. The Company introduced "Talking Ads" for the first time in Sri Lanka, causing a revolution in the advertising industry. Splendor has by now, extended its activities into public relations, activation and events, and digital marketing, and continues to focus on developing new products.

While continuing to adopt a cautious approach during the coming year, Splendor is confident of improving its profitability with the recovery of economic activities.

SUSTAINABILITY REPORT

1913-2013

100

years

Sustainability Report

A RESPONSIBLE IMPACT

Preamble

As one of the oldest, diversified, blue chip conglomerates in existence in Sri Lanka, we are living proof of continuous improvement and sustainable business practices. While we celebrate 100 years of existence in the year 2013, we consider this an opportunity to strengthen our conceptions of business practices that are environmentally and socially sustainable, while also being financially sustainable, the key requirement of any commercial entity. Once upon a time profits mattered and resources were used to ensure that quantitative gains were met. The focus on the stakeholder was minimal as it was shareholders alone who had to be pleased. However, the world and indeed Sri Lanka, has seen a palpable transformation into making companies, industries and even nations more conscious of their roles and responsibilities in creating a sustainable milieu to live and work in. In fact, shareholder mindset has transformed as well, demanding more transparency and responsibility when dealing with all stakeholders and the environment, extremely exigent in ensuring that their investment is infused into businesses that are ethical, responsible, accountable, transparent and sincere in action.

In our journey of 100 years within the corporate arena of Sri Lanka, an overarching tenet has always been to ensure that our decisions, actions and impacts are sustainable and positive on our stakeholders. We are extremely cognisant that as a corporate steward involved in numerous business and industry areas, we must set an example to others, while making our stakeholders a part of our journey of progress. This sustainability report is our attempt at documenting the steps we have practiced for decades, in becoming a more responsible company and building meaningful, long-term change.

About DCSL

History, Ownership and Legal Framework

The origins of DCSL can be traced back into Sri Lankan history to 1913, when the Excise Department of Ceylon, which was originally established as an enforcement authority, was mandated to distribute and sell liquor in Sri Lanka and also began the distillation and manufacture of liquor products. Much later, in 1974, the State Distilleries Corporation was incorporated by statute to take over this role. In 1989 the State agency was converted to a limited company and DCSL took on the mantle as a pioneer in distillation and is now the largest distiller in the country.

DCSL is quoted on the Colombo Bourse since 1992. Today we are a modernised entity, working on a sophisticated knowledge base built on technology, experience, skill and acumen. Our large investments in R&D, infrastructure, plants and machinery and the diversification into key economic sectors in the country, today places us unequivocally as an industry captain and one of Sri Lanka's blue chip conglomerates.

DCSL's business areas are diverse and penetrative, ranging from hospitality to telecommunication, BPO to textiles, plantations to hydropower and insurance to finance and its largest and most influential business contributor, beverages encompassing alcohol.

Significant Events during the Reporting Period

- In December 2012, the global rating agency, Fitch assigned DCSL a national long term Rating of AAA (lka) with a stable outlook. This is the best and highest entity credit rating for a corporate in Sri Lanka. Today, DCSL remains one of the most preferred corporates among bankers, overseas lenders, suppliers and stock analysts. In fact, consequent to the rating announcement, DCSL was able to significantly reduce its interest costs.
- In May 2013, Melsta Regal Finance Limited was assigned an A+ (lka) rating with a stable outlook by Fitch. This signifies a very high credit rating for a finance company, and a key milestone since the company's launch in January 2012.

About this Report

While DCSL has practiced the essential elements and dynamics of sustainability within the organisation, documenting and reporting on these elements was never considered an imperative. However, it has become increasingly important that we show our stakeholders what we do, what we act on and how we obtain the results. Reporting is also a vital pointer in showing us the gaps that exist in various areas and in helping us to charter the path to bridge this gap. In addition to this, we also believe that we have a responsibility towards our stakeholders that they are given a comprehensive idea of how we have managed their business and how we intend to work in the future, without harm to people or the planet.

This therefore, is our attempt in sustainability reporting. While we do know that this report is in its fledgling state and requires many more elements for a very comprehensive one, this attempt helps us to put our results, both positive and negative down on paper and work on plans that would ensure that our presence as a corporate leader will surely be advantageous to all our stakeholders. The report presents a balanced analysis of our sustainability performance strategy in relation to issues that are relevant and material to the Company and to our stakeholders, while complementing our ongoing engagement with stakeholders.

Unless otherwise indicated, facts and figures refer to the DCSL Group. This report focuses on key developments and includes only the most pertinent indicators in order to provide stakeholders with an integrated and succinct view of our sustainability performance. Sustainability in our business is built on natural capital, social capital and economic capital, all of which must be taken together, rather than in isolation for a true picture of sustainability. It is these capital segments that run through as themes of this report.

Materiality

Having embarked on this sustainability reporting process, we must confess that in documenting the necessary areas, we may not yet have a clear idea or focus on the extent of materiality involved. However, we have focused on earmarked areas and platforms that have formed the foundation for our sustainability programme and hence, we have used those as the guideline to report on the issues arising. We have also been able to identify shortcomings and gaps in data gathering, which is now being documented and acted upon to ensure that we bridge those gaps in future. We initially garnered the information from all our business sectors on a common questionnaire and began mapping the categories that were most common. Once chartered, the categories were placed in perspective and we were able to consider the materiality of our findings, positioning them in priority order and only focusing on those that our stakeholders felt were crucial or important. Hence these are the issues and focus areas you will see covered in this report.

Reporting Period

This report supports the DCSL Group's Annual Report and presents our sustainability performance for the year ended 31 March 2013. It covers Company activities, including the subsidiaries' reporting period (eg. fiscal/ calendar year) for information provided 01 April 2012 to 31 March 2013. Data measurement techniques and the bases of calculations applied for compilation and other information in the report is disclosed wherever applicable. We welcome the views of our stakeholders on this report and the way we approach our sustainability priorities, appreciating constructive feedback for both content and approach, in order to continue improving our performance and improve further transparency and accountability into our processes.

Governance, Commitments and Engagement

Board of Directors

DCSL incorporates a governance structure that remains aligned to the laws of the land and compliance to the various regulatory mandates. The governance structure therefore includes committees responsible for specific tasks and setting strategy and future direction for the Group. The Board structure and committees are detailed on page 53 in this report.

DCSL's Board comprises Seven directors (4 executive, 3 independent non executive, 1 non independent and non executive), meeting regularly to map strategy and for speedy decision making which require Board intervention. Collectively, the Board has significant corporate acumen, skill, knowledge and experience aided by astute and knowledgeable support and information from senior management and external specialists when the need arises to be sufficiently informed and be independent. The Board sub committees are a vital conduit in identifying and managing economic, environmental and social performance, including relevant risks and opportunities, as well as compliance.

Board governance ensures that the Group discloses related party transactions periodically and if any director has a direct or leading interest in any matter being discussed, they will abstain from opining, discussing and voting, all of which could influence the outcome. This avoids conflict of interest and ensures independence of the Board.

Sustainability Report

Ongoing Board education is an imperative at DCSL to ensure that directors remain abreast of all applicable legislation and regulations, changes to rules, standards and codes, as well as relevant sector developments, which could potentially impact the Group and its operations. During the year, all Board Members and Committee Members were reviewed for compliance with the Colombo Stock Exchange requirements for a listed company.

The DCSL Sustainability Approach

Vision

To be an industry leader who will practice the tenets of a 'green company' and be upheld as a true spearhead of sustainable development

Mission

To truly 'walk the talk' in becoming green and espouse that we believe in upward momentum for people, planet and profit

Philosophy

- Infusing innovation, value addition, quality and service excellence to give our customers the best
- Create a knowledge gaining culture where our team grows and develops as individuals, while honing the entrepreneurial spark to contribute towards macro development
- Continue giving our shareholders the confidence and trust that we will always do what's best thus ensuring consistent growth in shareholder value and returns
- Make our planet healthy and green by contributing social dividends that will translate towards sustainable development for society and the environment
- Ensure that everything we do will always keep us ahead and at the helm collating the facets of economic, social and environmental features into our business dimensions. We integrate this three pronged approach to sustainability, so that the journey with our stakeholders will remain one in which we grow together, forging and strengthening long term relationships.

Sustainability Policy

At DCSL, we are committed to promoting sustainability; we remain extremely concerned for the environment and to promoting a broader sustainability agenda, both of which are integral to our professional activities and management of the organisation. We aim to follow and to promote good sustainability practice, to reduce the negative environmental impacts of all our activities and to help our stakeholders to join in this journey that will surely benefit our future generations.

Our Sustainability Policy is based upon the following principles:

- We will continue to comply with and exceed wherever practicable, all applicable and related legislation, regulations and codes of practice
- We will integrate the principles and tenets of sustainability into all our business decisions
- We will strive to minimise any negative impacts that may ensue while engaging in our day to day activities
- We will integrate a sustainability mindset among our team, making them fully aware of our sustainability policy and empower them with a sense of ownership and commitment to implement, practice and improve it
- We will cascade our Sustainability Policy among our valued business partners, encouraging them and assisting them to adopt sound sustainable management practices
- We intend to review and annually report and to continually strive towards improving our sustainable performance

The Framework

The DCSL Sustainability Framework, which incorporates our Sustainability Philosophy, Policy, and Principles articulates our strategic commitment to sustainable development and remains integral to risk management. This framework assists our stakeholders in imbuing a similar sustainability approach, promotes sound environmental and social practices, encourages transparency and accountability, and contributes to positive development impacts. We ensure that this framework reflects good practice for sustainability and risk mitigation, keeping abreast with trends that bring up challenging issues, which remain at the core to managing a sustainable business. These include supply-chain management, resource efficiency, climate change and human rights.

Key Challenges and Opportunities

All businesses face risks and challenges, whether from environmental problems, social discontent, political and social unrest and even natural disasters. These can be termed costly, have negative publicity, threaten operating frameworks and also prompt unforeseen expenditure. Reputational damage too can far exceed the immediate cost impacts. While we seek to proactively reduce and manage these risks, challenges have never been a deterrent for us at DCSL; rather it has always been a means of directing us towards opportunity and improving business performance over time. These opportunities have driven us to enhance business growth, while ensuring that we remain within compliance benchmarks and ensuring that our stakeholders are empowered and remain inclusive to our end goal. Over the year, we identified some challenges and risks that eventually saw an opportunity emerge, and which, through the inherent pragmatic and astute business acumen possessed within DCSL, was transformed and included into the strategic way forward of the Group.

Stakeholder Engagement

Stakeholder engagement is a crucial element to sustainable development as it is this engagement process that prompts the two way dialogue and communication process which eventually, aligns the strong relationships among our stakeholders and forms the foundation to our sustainability journey. We are extremely committed to engaging all of our stakeholders, both internally and externally, to become the most sustainable, responsible company we can possibly be. By listening to, partnering with and considering the perspectives of our associates, customers, shareholders, academic leaders, government, value business partners and sometimes, even our competitors, we can truly ensure that quantifiable and qualitative returns are assured.

Having identified our stakeholder groups, as given below, we engage with them at various forums related to their interests and expectations, in an effort to adapt to changing needs and issues, which continue to evolve. As we pursue our corporate sustainability goals, we intend to further strengthen these relationships. Together, we are establishing transparency and enhancing our relevancy with the customers and communities we serve.

We have created more formal channels for interacting with stakeholders both to learn from their expertise and to provide a forum for them to provide us with feedback.

Key Stakeholders

Shareholders

Shareholder engagement is ensured through quarterly and annual financial reporting, annual meeting of shareholders, periodic individualised mailings and conference calls between senior management and investors and/or analysts when necessary.

Customers

Daily engagement with customers on a one to one basis, and through select outlets. We also conduct customer satisfaction surveys on a regular basis.

Employees

Regular communications and engagement on one to one basis, monthly or quarterly forums, opinion surveys, internal newsletter and open door policy.

Government/Regulators

Regular meetings with relevant government authorities and regulators to discuss impending legal mandates and find solutions where necessary. This may involve discussions on challenges, risks, strategy development, execution of such laws and regulations and best practice permeation.

Suppliers

Regularly engage with suppliers to promote and institute sustainability solutions.

Sustainability Report

Disclosures

One of the primary reasons that DCSL embarked on this process of sustainability reporting, is that while it helps us to take a long hard inward look at ourselves, our processes, systems, the way we do things and the impact it has not only on us but on our stakeholders, our consumers are increasingly developing an ethical conscience. They have now begun using sustainability information to identify and trust their chosen brands.

They want transparency and reasons for their chosen company's actions; they want clarity and accessibility to their information and disclosures on social, environmental and economic performance. And with all stakeholders demanding that this information is consistent to a standardised approach, it is imperative that disclosures are succinct, clear, truthful and hold fast to the underlying ethos of a principled ethical well governed business entity, which is what DCSL espouses to be.

Economic Disclosure

For nearly a century, we have proven that our business is a 'going concern', benefiting not only shareholders but all stakeholder segments. Our investors have proof of our consistent performance in seeing our financials and share performance, as well as our astute business strategies including restructuring and acquisitions. Given our status as an industry leader, we also remain a strong partner in ensuring that the country meets its vision and objectives, generating direct and indirect employment and thus improving lifestyles, investing in infrastructure, upping quality and standards within the industry and thus setting benchmarks to develop these industries and imbuing best practices.

We practice an environment of zero tolerance on bribery and corruption and eschew ethically unsound or corrupt practices among any stakeholder segment. In this context, we have had no incidences of bribery and corruption, unethical practices or anti-competitive behaviour stemming from our Group brought to our notice. Our business dealings remain transparent and sincere in action, while accountability remains a top priority.

While the regulatory environment in some of our businesses may be seen as unfair and unjust, we remain strictly compliant to all mandatory and regulatory mandates that are prevalent in our business. We do not make contributions to political parties; no member of the Board of Directors is actively involved or an office bearer of any political party in Sri Lanka.

Product Disclosure

The Group remains conscious and we work to the best of our abilities to ensure that our products, if used in a responsible manner and by the target age groups it is meant to be used by, will not have an ill-effect or increase risks to health. The processes that cover our supply chain including the sourcing and use of ingredients, resources and raw materials are aligned to stringent quality standards that are initially tested repeatedly before product manufacture.

We work with experts and specialists in the field both locally and internationally, who may also conduct their independent analysis and research, which assists us in manufacturing our final product. This would include the use of science, technology, experience and skill to determine the acceptability of not only the ingredients but also permitted levels of these ingredients. Using the available scientific evidence, these expert opinions have repeatedly concluded that our products, used responsibly by adults in the case of alcohol and spirits, do not increase health risks. There's also a cohesive group that also monitors legislation pertinent to the product and individual ingredients which helps us in our decision making.

In the beverages industry, we also work in a dark market where all advertising and promotions are prohibited by law. We remain very cognisant that our product in this industry is to be sold and consumed by adults and our responsibility is to always ensure that this is the overarching tenet of our marketing initiatives. We communicate all product information comprehensively either through the labelling or through product information available on numerous channels.

We do not condone or agree to selling any of our products that are meant to be consumed by an adult, to any underage consumer under any circumstances. This is very strictly adhered to, not only within the immediate company and the team, but is a message that is cascaded very emphatically to our entire value chain and retailers. Any deviation from this, is dealt with severely and may result in DCSL terminating its business relationship with the offender.

Environmental Disclosure

We have never knowingly harmed the environment through any process that we have engaged in. We ensure that in all our processes and systems, we implement as many environmentally friendly initiatives as possible as is seen in the waste water treatment, energy management, recycling initiatives, decrease in emissions and increase in forest cover that we have strategically embarked upon. We also constantly engage our valued business partners, suppliers and wherever possible our customers, to permeate environmental best practices among them.

Human Rights and HR Practice Disclosures

The DCSL Group espouses and commits itself as an equal opportunity employer, stringently applying a slew of non-discriminatory policies vis a vis gender, age, religion, ethnicity, social, cultural and economic backgrounds on the foundation of meritocracy. We unwaveringly uphold and support the tenets mandated by the International Labour Organisation and other prevalent regulatory bodies pertaining to human rights and child labour. We adhere to a strict policy of 'zero tolerance to child labour', a mandate that is permeated to our valued business partners including retailers and the supply chain.

Community Disclosure

We are inextricably entwined with our communities and we intend to ensure that our presence within these communities will benefit them and us. Our philosophy is to partner the community in its sustainable development journey, which in turn gains us considerable advantage. This year, our social focus is based on Education & Training and Health, Sanitation & Housing. Focusing primarily on these two areas we hope that we can empower these communities.

Sustainability Focus

Environmental

- Better waste and energy management in our manufacturing processes
- Reducing our carbon footprint by introducing more 'green' initiatives
- Reducing dependency on fossil fuels
- Enhancing forest cover and food security through planting of hard wood and fruit trees

Social

- Enhancing entrepreneurial skills among estate youth
- Assisting educational initiatives from childcare to university level students
- Creating awareness of preventable diseases among lesser affluent communities

Economic

- Ensuring that shareholder wealth is optimised without compromising on standards or principles
- Permeating best practices to valued business partners
- Setting an example of ethical leadership through a well governed accountable entity
- Creating benchmarks for industry.

Sustainability Performance

Environmental Impact

Our business interest are wide ranging and diverse, ranging from manufacturing, plantations, telecommunications, financial services, logistics, apparel and hydro power. These, in different dimensions and levels, do impact the environment. The DCSL Group, having conformed and remaining strictly compliant to the Central Environmental Authority Standards, is additionally subjected to regular audits to ensure full transparency. This ensures that we remain conscious of the impacts our actions would have on the environment and have through the years. We have worked on improving our processes and systems that would eventually help us to reduce the negative impact we have on the environment, while minimising climate change.

Sustainability Report

Energy, Waste & Water Management

Energy and waste management are crucial features in our environmental management focus, especially in our manufacturing processes. A sophisticated distilling system using french technology which is totally environmentally friendly embeds energy saving features into our plants, as low evaporation during distillation aids the saving of energy. This technology has also helped in decreasing emission levels. Waste water treatment plants and an environmentally friendly zero-harm effluent management system ensures that waste, water and effluents are all managed well within the compliance norms. While the waste water is treated to neutralise acidity and released for further use once deemed 100% safe, the methane which is discharged during the purification process is used for factory consumption.

In our bid to reduce the country's dependence on fossil fuels and thereby reduce the expenditure of foreign exchange, we embarked on a mini-hydro power project which was commissioned in the previous financial year. The Kirkoswald Mini-Hydro Power Project, under the umbrella of Bogo Power (Pvt) Limited and located within Madulsima Plantations land, has gained approval from the Sustainable Energy Authority of Sri Lanka, generating an average of 16.2 GwH of power to the national grid. The water required for the hydropower project is diverted and returned to the river within a short distance from the point of diversion. The channel, weir and power house are small structures, which have minimum impact on the natural eco-system and the communities around the area.

The companies of the DCSL Group have all initiated in-house modes of energy, waste and water management, as part of the Group's holistic vision of environmental impact mitigation.

Continental Insurance has commenced emphatically working on a better waste and energy management practices in its journey to eventually become a carbon neutral company. The Company saw a saving of a 19 fully grown trees and total of 36,356 litres of water, while electricity usage decreased by 4,576 kWh and 2,008 litres of oil was also saved which meant lesser usage of fossil fuels. In addition, 3 cubic meters of landfill were conserved and reduced the Green House Gas emission by 1,144 Kg of Carbon Equivalent.

While creating economic value within the organisation, CILL strives to develop social value as a responsible corporate citizen. Being a benefactor to the society and communities in which it operates, CILL believes in giving something back to different segments of the society especially to those most disadvantaged. Employees have participated by spending time with differently abled children in institutions along with provision of meals and dry rations by the organisation. Further in their continued commitment towards the arts in Sri Lanka, Continental Insurance has come forward as a leading sponsor that enables the advancement of art, theatre and culture in Sri Lanka. They have consistently assisted a diverse number of productions and artists. In view of creating value for environment and nature, CILL has been taking number of environment friendly initiatives.

The Collision Repair Centre, which comes under Melsta Logistics Limited, remains very compliant with environmental regulations and in fact, has ensured that its entire facility is eco-friendly. Waste disposal is managed efficiently, with disposable waste being recycled and organic waste converted to compost, which is used to nurture vegetation within the premises. In addition, a waste water treatment plant maximises the usage of water. Melsta Logistics also took on the responsibility of managing the Group's fleet of vehicles to ensure that it takes measures to monitor and control emission levels and usage of fossil fuels, and thus reduce its carbon footprint.

The fact that Texpro Industries is certified with a Global Organic Textile Standard, ensures that the entire value chain must conform to globally accepted waste management practices in addition to its sourcing and manufacturing processes. The company is subjected to continuous audits, which keeps compliance levels above the required norm.

Recycling

Packaging gains emphasis to mitigate environmental impact with over 50% of the bottles used for alcohol and spirits being recycled and crates used for transport, being reused. Cellophane, glass, aluminium and plastic generated by the factory is outsourced to an external party for reuse, while used labels are transformed into pulp. This also reduces the number of trees being felled.

Continental Insurance has imbued the 3R concept and is engaged in recycling of waste paper, which resulted in the saving of ten trees for the year, which though may be considerably small, certainly lays the footprint for the company to increase its recycling initiatives and reduce the number of trees even further.

Sustainable Agriculture

As a part of its pledge to continually improve the environmental and social sustainability, many initiatives were launched by Balangoda Plantations, to protect and conserve the natural environment through the prevention of pollution, efficient utilisation of resources, effective waste management practices, promotion of environmental awareness and sensitivity amongst the plantation community. This will be further strengthened by the Rain Forest Alliance certification which the Company is in the process of obtaining, taking into consideration the fact that the certification standards mandate sustainable agricultural practices with emphasis on environmental management and community development. Further multinational buyers have pledged to source all future requirements of tea, within predetermined timeframes, from Rain Forest Alliance certified producers.

Balangoda Plantations has always espoused sustainable agricultural standards and good manufacturing practices. The company has ensured that nearly all its manufacturing facilities have gained ISO and HACCP certifications, which ensures that it remains within the stringent guidelines required for conducting business, manufacturing processes and systems.

In order to retain these standard certifications, the facilities are also continuously subjected to audits. The larger result however is that with the infusion of best practices in agriculture, we are not only enhancing our end product, but also ensuring that our practices are governed by a green ethos. Further augmenting this green ethos, Balangoda Plantations embarked on a re-forestation drive, which, while increasing our forest cover, also significantly impacts the challenges the country will face in the future of food security. In year 2012 Balangoda Plantation planted over 6,000 native plants such as Hora, Kubuk, Madatiya, Wewel, Pawatta and Ankenda in 9 estates as part Rainforest Alliance Programme. Such projects help to preserve native foliage while increasing the country's green cover. In addition, the estates began implementing a composting programme, which would convert non-usable materials into compost, deemed for use in the three hectares that are being replanted with tea.

Organic Best Practices

Texpro Industries Limited, (a specialty dye and print business of woven fabric) as a backward integration to the apparel industry, stringently conforms to the Global Organic Textile Standard (GOTS), which ensures that the end product remains true to the tenets of an organic product. GOTS is the worldwide leading textile processing standard for organic fibers and includes ecological and social criteria, backed by independent certification pertaining to the entire textile supply chain. This standard gives the product international recognition in organic textile manufacture, from harvesting of raw materials, through environmentally and socially responsible manufacturing, until the labelling process, providing a credible assurance to the end consumer.

Social : Diversity in our Team

Our longevity and culture of achievement is rooted in the motivation and mindset of our people, who are committed and dedicated towards achieving greater heights of performance and raising the benchmark. Given that the DCSL Group has grown into a diversified conglomerate encompassing a number of diverse industries and yet is unequivocally positioned with a leadership status, evidences that our team is a winning one. The dynamism, motivation and 'gung ho' attitude they always espouse has enabled this Group to take on challenges, some deemed insurmountable and win against the odds.

Sustainability Report

HR Philosophy

- To provide and promote an encouraging and professional working environment for our team.
- Believe that the prosperity of our business depends on successfully developing an integrated group of motivated and innovative employees. Hence we facilitate positive employee relations and inspire employees by offering opportunities for challenging work, personal development and growth.
- Committed to hire, develop and retain the most talented people in order to achieve a committed pool of talent.

Recruitment & Retention

A range of processes have been instilled within the Group to ensure that recruitment is non discriminatory, unbiased and driven by meritocracy. The recruitment procedures are designed to warrant correct selection on the ethos of "The right person for the right job" as part of Group business strategy. In addition, in a bid to streamline our recruitment processes, a recruitment requisition form was introduced, which is the base upon which recruitment is effected and a comprehensive interview evaluation form was brought in, to streamline the interview process from initial screening to final interview stage.

The Group companies follow HR best practices ensuring consistency in HR Policy approach and fair playing field for potential employees.

For instance, Continental Insurance strives to follow best practices in human resource management as well as the development of human resource. As a growing business Continental Insurance is in need regular fresh blood from the outside, while growing talent from within. Hence, Continental Insurance ensures a healthy mix of both. As an organisation is nothing more than the collective capacity of its people to create value, organisational culture is an important element in any organisation's make up and success. Therefore, at Continental Insurance new recruitment is based on alignment with the Company's internal culture, in addition to knowledge, skills and attitudes required for the role.

Training & Development

Training and development forms the axis to the sustainability of our business and into this, we have imbued a knowledge gaining culture, which enables individuals to attain their personal goals while working towards the company's aspirations. Training & development also solidifies our philosophy of 'the right person for the right job', enabling team members to be empowered while allowing us to optimise on our use of human resources. Our training programmes span on the job, off the job, external, hands on and internal programmes, all designed to enhance knowledge, update skill and create an empowered workforce.

At Continental Insurance, the HR Department is responsible for the recruitment of suitably qualified employees and retaining talent. Training requirements would be identified for respective functional areas through a systematic performance appraisal system in order to develop the training plan, which ultimately will increase individual performance up to the expected level.

At Balangoda Plantations, training programmes are conducted for Senior Managers Superintendents and Assistant Superintendents to enhance their managerial skills, to ensure higher productivity and better management of the large plantation workforce.

Rewards, Remuneration & Welfare

The DCSL HR policy is based on the belief that a satisfied employee is a motivated employee who will contribute towards achieving company goals voluntarily, while being more productive. We have continuously infused numerous rewards and remuneration schemes, while adding welfare initiatives that would add value to our employees to better their lifestyles. Given below briefly are some of the more important initiatives currently in place:

DCSL

- Continuous remuneration reviews and increases according to predetermined scales, which could also be tied to performance incentives and bonus scheme.
- Encashment of for unutilised medical leave
- A range of insurance policies are in effect including Workmen's Compensation and Personal Accident Insurance. DCSL PLC offers all employees this 24 hour insurance cover which includes a natural death cover.
- The DCSL Quiz Competition 2012/2013 held with the enthusiastic participation of the regions, divisions at Colombo Office, Periceyl and Melstacorp. Over 100 employees participated in the quiz programme.
- DCSL holds annual staff get together, sports days and children's parties to build team spirit and facilitate fun and friendships

Periceyl

A continuous chain of performance related incentives including social activities, training initiatives and excursions/ trips are extended to high achievers.

Continental Insurance

The Continental Insurance HR policy aligns remuneration with employee performance and the reward strategy not only focuses on monetary rewards, which will have a short term impact on employee behaviour, but also timely appreciation and recognition of employees. All employees and their immediate family members are covered under the staff medical scheme which will ease the financial burden when hospitalisation is required.

Melsta Logistics Limited

- A comprehensive medical scheme covers each team member
- Collision Repair Center team is covered under a comprehensive medical scheme
- Facilities including cafeteria, resting areas and lockers

Occupational Health & Safety

As a diversified conglomerate with interests in a wide ranging economic activities including manufacturing, it is imperative that we make our workplaces safe places to work in. Occupational Health and Safety remains a high priority for the DCSL Group and we have taken numerous steps to ensure, to the best of our ability, that the workplace is safe, hygienic and is not harmful to our team's health. Our manufacturing processes conform to accepted industry guidelines and practices in safety management and we have set for ourselves a target of ' a zero accident workplace'. By being proactive, conscious and focused, we have inculcated a conscience and culture of prevention, while team members have been trained to remain alert to any gaps and hazards that may arise.

Community Endeavours

We have maintained cordial and mutually supportive community relations throughout the centenary of our existence on the basis that our surrounding communities are also stakeholders of the business. We continue to make an unwavering effort to closely identify with the communities in which we operate our businesses to ensure positive impacts through our presence and to make these communities an inherent part of our sustainable development process. We have thus identified two platforms as the focus for our community social initiatives, namely Health, Housing & Sanitation, and Education and Training.

Community development efforts of Balangoda Plantations, have not been limited to its own estate populations. The Company has always affirmed its commitment to its surroundings outside the plantation, by actively participating in estate village integration programmes and by extending certain facilities provided to the plantation community, to the villagers as well.

Health, Housing and Sanitation

Balangoda Plantations has been actively involved in uplifting the lifestyles of its estate community by facilitating new housing and better working conditions. In addition, numerous awareness programmes were undertaken towards improving the socio economic growth and health and nutritional status, and living environment, youth empowerment and community capacity building, of the resident plantation population.

Sustainability Report

Housing Facilities

During the current year too, Balangoda Plantations continued its efforts at upgrading living standards of plantation communities by building 96 housing units for estate families. These new, modern housing units are built to high construction standards, enabling hygienic and healthy life styles for plantation families with the benefits of essential amenities.

Tree Planting Event

Environmental sustainability and good agricultural practices are fundamental to plantation sector longevity. During the current financial year, Balangoda plantations conducted a tree planting event with the active involvement of the younger generation estate populations. During this event, children of plantation employees joined the Company in planting native plants, contributing towards reforesting the environment and inculcating concepts of sustainability into the next generation.

Child Care

The Balangoda Plantation manages a number of child care centers and pre-schools within the plantations. The child care centers are supported by full time trained teachers, and nutritional feeding programmes. Regular child immunisation programmes are also conducted at the child care centers ensuring access to proper child immunisation for estate children. Further, dental clinics, eye clinics, awareness programmes on infectious/contagious diseases such as dengue, T.B. programmes on oral cancer prevention, de-worming etc are some of the many activities carried out to create a healthy community.

Cancer Research

Given the high incidences of cancer prevalent in Sri Lanka, and the heavy burden it places on the state, Continental Insurance is currently providing support to the Cancer Institute, funding its research. The state faces severe financial hardship in meeting the increasing budgets for this debilitating disease, and hence, research takes less priority over treating those afflicted at this current moment. Realising that research remains a vital core for the minimising and prevention of cancer, the company is now engaged in funding this preventive stage of the disease.

Education & Training

Training for University Students

Balangoda Plantations continued to support undergraduates of the Tea Technology and Value Addition Degree Programme, conducted by the Uva Wellassa University, during the current financial year, by providing practical training. The third year university students, in their first semester, were given a hands on training at Balangoda Plantations estates in the Uva Province, on a number of different subject areas for a period of 10 weeks. During this training period managers from Balangoda Plantations worked closely with the academic staff in affording the required professional knowledge in the different areas of Plantation Management. The subject areas covered during the training course were agronomic practices in tea, tea manufacturing, welfare activities in estates and record keeping.

Economic Input

Today, although our core business remains in beverages, our scope of business is diverse transcending different spheres across the national economy. Over the year, we have made inroads in telecommunications, plantations, apparel, BPO, logistics, hospitality, financial services, insurance, media and hydro-power, committing ourselves to add economic value to all these industry sectors, while being responsible for our actions and the decisions we make. Therefore, as a leading corporate, we will strive towards building continuous sustainable value, generating returns for our shareholders, while ensuring that we consciously do the right thing not only for our stakeholders, but for the environment as well. It is this holistic outlook that allows us to work proactively with all our stakeholders, creating shareholder wealth and social value, inspiring our team and permeating best practices among our suppliers.

Given our leadership status in the beverages industry, the company has been subjected to numerous actions, diktats and mandates that has continually stifled the legal alcohol and spirits industry, which these have only served to allow the illegal trade to flourish. We believe that this situation will eventually take a toll on the nation's health, both economically and socially. We are by far one of the largest contributors to the national treasury, having paid Rs. 40 Bn at Group level this year. It is these funds that are eventually used by the government for meeting its development goals. Therefore, we are proud to be a major contributor to national development, as a legal, law abiding corporate citizen with future potential to contribute toward the nation's development agenda.

The diversification of the DCSL Group into various industries has benefited the national economy through investments in human capital and on infrastructure, employment opportunities, uplifting industry standards and wider consumer choices. Our infrastructure investments into plant and machinery conform to stringent standards that naturally add value to the overall economy.

Similarly, all companies in the Group conform to numerous and relevant international standards and have gained certifications of compliance, which means that the entire industry is being improved through the setting of higher benchmarks.

Currently, the DCSL Group provides employment to 18,674 people while indirectly granting employment to many others. The benefits, remuneration, rewards and welfare gained by our employees also ensures that their families gain an improvement in their lifestyles, while additional education and training adds to elevating knowledge levels amongst our team.

Industry Contributions

The DCSL Group has contributed to industry development in different spheres of operations through knowledge sharing, innovative solutions and the latest technologies. Our companies embrace international best practices, standards and quality certifications, that have contributed towards setting new standards within the industries we operate in. However, we have also , shared our knowledge, skills and expertise with other corporates and like minded individuals, as we believe knowledge sharing among the industry is vital for sustained growth and ultimately national development.

For instance, Periceyl continued its training programmes for bartenders at the prestigious Chivas Academy, an initiative undertaken for the first time in Sri Lanka. Periceyl also conducted the Absolut Bartender Challenge Cocktail Competition. The programmes are implemented with the aim of uplifting bartending skills within the local hospitality industry to create specialist bar-tenders on par with the international arena.

The Chivas Academy is a specialised global training programme for bartenders. The programme launched in Sri Lanka is truly a pioneer in that it gives a comprehensive training, development and international recognition for local bartenders.

This year too, the Absolute Bartender Challenge was held under the Pernod Ricard brand, to reward and encourage talented bartenders from across the country. The programme, which was conducted covering even the regions, ensured a level playing field by first providing a comprehensive training for all participants. The competition itself, was judged by the Sri Lanka Institute for Tourism and Hotel Management.

Investor Relations

DCSL continued to attract high level interest from foreign investors and during the current financial year. We have conducted many meetings with current and prospective shareholders locally and overseas during the year. Such interest in the Company is symptomatic of positive external perceptions regarding the Company's future potential towards growth in shareholder value.

Working with Our Suppliers

DCSL has a wide spread and diverse supply chain spanning the full range of businesses from micro entrepreneurs, to SMEs to large corporates. Whatever the size or category of supplier, the DCSL's Supplier Policy ensures a level playing field and equal opportunities for all our suppliers. We have procedures in place to ensure responsible behaviour towards all our suppliers, while committing our suppliers towards reciprocity in responsible behaviour towards the Company. This ensures our stringent quality and standards are understood and met by all our suppliers.

We believe strongly in positioning our supplier philosophy on good corporate conduct, sourcing and producing responsible quality products and influencing a win-win relationship worked on a platform of mutual benefit. Just as we position ourselves as a responsible industry leader, we strongly believe that we must permeate the best practices

Sustainability Report

we have within our business, the standards, integrity and compliance initiatives to our entire supply chain. This in effect, cascades to quality, productivity and standards overall being improved. We also emphasize among our supply chain and valued business partners the need to implement and promote business practices that not only encourage a safe workplace, but also request them 'to do right' by the environment, their employees and communities. In other words, we want them to, in turn, be responsible entities and individuals. Suppliers and business partners, once among the DCSL Group, are provided with further support and guidance, enabling improvement against these principles as the business relationship develops.

The suppliers who enter the DCSL Group are selected on pre-determined criteria that would position them and align them to our standards and principles. This conformance goes beyond compliance and would by no means involve us in engaging or aiding and abetting illegal or hazardous and dangerous activities. We want our suppliers to be partners with us, in joining us in our journey that will truly be one of mutual respect, understanding and trust.

We Seek Suppliers into Our Value Chain who:

- will proactively support our efforts to combat illegal and illicit trade practices
- comply with laws and regulations pertaining to conducting business and environmental performance, occupational health and safety, do not support or condone child labour, slavery, harassment, corporal punishment or discrimination of gender or any other denominator
- are cognisant of human rights and the rights of workers
- do not engage in any fraudulent or corrupt practices
- provide their teams with a safe and healthy work environment
- actively engage to empower the communities in which they operate

Dealing with Customers

We engage our customers in numerous ways, nurturing and strengthening relationships to ensure strong loyalty to brand and product. From face to face to ad hoc conversations, to conducting customer surveys, to formal gatherings and informal events, we are constantly engaged with our consumer. It is this feedback and varied dialogue and communication channels we have created that have assuredly enabled us to charter our future plans.

In the beverages industry, our business is fundamentally about offering adult consumers a range of high quality products and brands with the necessary knowledge to make informed choices. We do not in any way coerce or inveigle our customers to stay with us and our portfolio of products by any illegal or unscrupulous means, but over the years, we have seen volume, demand and sales make spiralling upward trajectories, which can only point to the fact that our consumers recognise quality. Despite numerous challenges, including the prohibition of advertising and promotions which essentially sees us, though engaged in a legal industry forced to work in a dark market, prohibitive excise duties and constant taxation, our products have remained at the helm, which has thus driven us to continually exceed our customer's demands. We do believe it is our responsibility to ensure that consuming alcohol must be done responsibly, knowing that the product is manufactured to high standards and is a proven brand of quality. Therefore, we are vociferous in numerous forums to curb and annihilate the illicit and illegal liquor trade. We work on education and awareness initiatives among various forums to take the message of the hazards and dangers posed to the eventual consumer in drinking illicit brew or illegal liquor, given that the latter too has no guarantee of quality.

Our subsidiary companies have continued to gain the trust and loyalty of their customers through their customer centric policies, innovative solutions and technology applications for increased cost savings and higher customer value creation.

Lanka Bell, DCSL's telecommunications subsidiary, invested in an NGN (Next Generation Network) switch, which will improve telecommunications services for consumers in a highly cost efficient manner. In the coming financial year, Lanka Bell will be launching a 4G-LTE Network, making the company one of the three operators in the country to have a 4G-LTE network. The introduction of this latest technology will offer world class data solutions to customers, while providing access to greater bandwidth capacity at faster speeds.

Continental Insurance has been successful in capturing and adding to its portfolio some of the country's largest infrastructural development projects, such as the installation of double circuit transmission lines in the North and East and large power plants which supply electricity to the main grid and road development projects. The Company also provided comprehensive policies to large hotel chains operating luxury properties in Sri Lanka and the Maldives. Further event cancellation insurance policies were issued for the most celebrated international cricket matches played in Sri Lanka in 2012.

During its short period of operations, Melsta Regal Finance Ltd, introduced a wide spectrum of financial solutions in leasing, hire purchase, factoring, trade finance, corporate loans, personal loans and savings products for a client portfolio ranging from corporates to SMEs to consumers.

Awards & Recognitions

Balangoda Plantation was recognised at the National Plantation Awards -2012 organised by the Ministry of Plantation Industries and was adjusted the winner in the category of "Highest Ranking Company with regards to the payment of Lease Rentals, Income Tax and Payment of Dividends to the Government" and the 1st runner-up under the category of "Forestry Management, Environment Friendlessness & Self Sufficient Energy".

Long term Sustainability Goals

1. Retain market leadership by ensuring that we work on high quality sustainable competitive advantages to infuse trust and loyalty among our customer base by evolving the business to be ahead of customer expectations, which in turn will deliver qualitative and quantitative sustainable returns

2. Never lose sight of the tenets of corporate stewardship; instill governance and regulatory best practices while exampling our commitment to being an ethical, transparent, accountable Group of companies

3. Be known as the preferred employer having the ability to attract and retain talented people, cementing them into a rewarding knowledge gaining culture, while assuring them of career enhancement in a responsible company they will be proud to be a part of

4. Create economic and social value among the communities we work with, supporting both the rural and urban economies and key industries that are earmarked to be drivers in national development

5. Be a Green Ideologue; an advocate who will address environmental issues and 'change' the direction of climate change, walking the talk to spread the need to reduce our carbon footprint and ensure a better planet for future generations

Corporate Governance

ENTERPRISE GOVERNANCE

Working on an integrated approach for applying governance throughout the organisation, DCSL practices the key principle of infusing the tenet that everyone is responsible for the performance of the Group, the management of risk and value creation. We strongly recommend and commit ourselves to ensuring that Enterprise Governance operates through people, processes, policy, procedure, culture and ethics.

The principles of governance are applied effectively by the Board of Directors and are seen in the consistent growth performance of the Group, while also improving the long term return to stakeholders. Beyond the Board, the application of governance methodologies and the integration of governance into other organisational functions, we strongly believe has significantly benefited the long term performance of DCSL. To further augment our effective governance strategies we have implemented the following:

- Strive to achieve corporate objectives of managing strategy, risk and compliance to ensure long term returns to shareholders and other stakeholders
- Oversee business objectives including management of IT, sustainability, finance and project portfolio management to ensure sustainable consistent results
- Board of Directors remain emphatic on due diligence to ensure that accountability, transparency and sincerity of action
- Implementing an environment of responsible and balanced corporate governance that enhances integrity and respect for the Company and ensures company's stewardship and stability in the industry and market
- Introduced a culture in which the entire organisation takes ownership for risk, compliance and performance

We infuse governance tenets that continue to hold us in high esteem and as a spearhead among our shareholders, stakeholders and peers. This is further augmented with our Board's adherence to the highest standard of corporate behaviour and ethics at all times. To remain at the helm of Sri Lanka's corporate landscape, we realise that we must incorporate new dimensions into our core decision-making processes and practice due diligence to protect the interests of our shareholders, while maintaining an unrelenting focus on the expectations of other stakeholder segments.

DCSL has a strong and sound foundation of sustainability principles that remain the overarching fundamentals in instituting and maintaining uncompromising governance practices and principles. The section of the report details the governance structure and the practices and guidelines DCSL has adopted in ensuring that we remain within the parameters of the numerous regulatory and authorised bodies that govern the industry and the company. We stringently adhere to and comply with the mandates of the Colombo Stock Exchange and Securities & Exchange Commission of Sri Lanka, NATA, Excise Department, Central Bank of Sri Lanka and the Government Treasury, Institute of Chartered Accountants of Sri Lanka, Telecommunication Regulatory Commission of Sri Lanka, Insurance Board of Sri Lanka, Central Environmental Authority, relevant Ministry and departmental authorisations and regulations and numerous Codes introduced by Professional Associations and the Chamber of Commerce from time to time.

This corporate governance statement defines in detail the structures and processes that we use in our organisation to balance the interests of our stakeholders, reviewed at regular intervals to ensure that Group's expectations are met and are aligned with evolving growth strategies.

Name of Director	Status	Attendance *
D.H.S. Jayawardena	Chairman / Managing Director	3/3
R.K. Obeyesekere	Non-Executive Director	2/3
C.R. Jansz	Executive Director	3/3
N. de S. Deva Aditya	Independent Non- Executive Director	3/3
K.J. Kahanda	Executive Director	3/3
C.F. Fernando	Independent Non- Executive Director	3/3
A.N. Balasuriya	Independent Non-Executive Director	3/3

**In person or by alternate*

The Board of Directors

Role of the Board of Directors

The Board of Directors is responsible to the Company's shareholders to ensure at all times that the activities of the Company are conducted to the highest ethical standards and in the best interest of all stakeholders.

The key responsibilities of the Board are;

- To enhance shareholder value
- Provide direction and guidance in formulating corporate strategies
- Monitoring systems and procedures especially with regard to internal controls and risk management.
- Approving major investments

Composition of the Board and Independence

The Board of Directors of DCSL comprises the Chairman/ Managing Director, two Executive Directors, one Non-Executive Director and three Independent Non-Executive Directors as given in the table below. Brief profiles of the Directors are given on page 23.

The Board considers that three of the four non executive directors are independent in accordance with the criteria detailed within the Listing Rules of the CSE and have submitted signed confirmations in this regard. The Board believes that the independence of N. de S. Deva Aditya is not compromised by virtue of him being a director of Aitken Spence PLC, an associate of the Company.

Meetings and Attendance

The attendance of the meetings of the Board during the year is given above:

Board Committees

Certain responsibilities of the Board have been delegated to the following sub-committees.

Audit Committee

The Audit Committee comprises three independent non-executive directors as follows;

C. F. Fernando – Chairman
N. de S. Deva Aditya
A. N. Balasuriya

The detailed report of the Audit Committee is on pages 63 to 64.

Remuneration Committee

The Remuneration Committee has three independent non-executive directors:

A. N. Balasuriya– Chairman
N. de S. Deva Aditya
C. F. Fernando

The report of the Remuneration Committee is given on the page 65.

Corporate Governance

Investor Relations

One of the prime fundamentals that are prevalent and identified with the Group's sustained success and growth has been the close rapport in investor relations. Given that we are mandated to safeguard and create shareholder wealth and are duty bound to share all Company information with our shareholders at all times in order to nurture sustainable relationships with our stakeholders, we foster effective dialogue and engagement with the relevant stakeholders and the financial community. We strongly believe that it is our strategic management responsibility to maintain an open line of communication with shareholders and address any concerns or issues that may require discussion or resolution. The designated investor relations officers regularly meets shareholders and fund managers to fuel these long term relationship, providing information and answering any queries. Further, the Group possesses performance measurement tools to ensure that these objectives are met.

Apart from personal interaction with stakeholders, our quarterly financial statements and the Annual Report offer a comprehensive canvas of the Group's performance, constituting the principal means of communication with the shareholders.

Internal Controls

The Board instills and maintains a strong set of internal controls to safeguard shareholder wealth. The responsibility of the Board has been clearly stated as one where it is in charge of the Group's internal control systems and will regularly review if they are adequately safeguarding Company and shareholder assets while supplying precise and timely information for informed decision making. The responsibility of the Board covers financial, operational and compliance related activities and risk management.

The main companies in the Group have established internal audit divisions that are controlled by the annual internal audit plans approved by the respective Boards. The Audit Committee and the Group Management Division review and monitor the activities and the findings of the internal audit divisions at regular intervals.

Going Concern

After an extensive review of the Group's corporate plan, budgets, capital expenditure requirements and future cash flows, the Board has taken a decision to apply the Going Concern principle in the preparation of the Financial Statements for 2012/13. Further, the Board is satisfied that the Group possesses the necessary funds for adequate liquidity and to sustain its operations for the foreseeable future

The Company's compliance with the CSE Listing Rules and the best practices set out in the Code of Best Practice on Corporate Governance issued jointly by ICASL and SEC is set out in the following table:

Section	Applicable Rule	Compliance Status	Details
7.10.1	**Non-Executive Directors** At least one third of the total number of Directors should be Non-Executive Directors.	Complied	Four of the seven Directors are Non-Executive Directors
7.10.2(a)	**Independent Directors** Two or one third of Non-Executive Directors, whichever is higher, should be Independent.	Complied	Three of the four Non-Executive Directors are Independent
7.10.2(b)	**Independent Director's Declaration** Each Non-Executive Director should submit a declaration of independence/ non-independence in the prescribed format	Complied	
7.10.3(a)	**Disclosure relating to Directors** The Board shall annually make a determination as to the independence or otherwise of the Non-Executive Directors and names of Independent Directors should be disclosed in the Annual Report.	Complied	Please refer page 53
7.10.3(b)	**Disclosure relating to Directors** The basis for the Board to determine a Director is Independent, if criteria specified for Independence is not met.	Complied	Please refer page 53
7.10.3(c)	**Disclosure relating to Directors** A brief resume of each Director should be included in the Annual Report and should include the Director's areas of expertise.	Complied	Please refer page 23
7.10.3(d)	**Disclosure relating to Directors** Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the Exchange.	Not applicable	No new Director was appointed during the year
7.10.4	**Criteria for Defining 'Independence'** Selection criteria of independent directors of a listed company	Complied	

Corporate Governance

Section	Applicable Rule	Compliance Status	Details
7.10.5	**Remuneration Committee** A listed Company shall have a Remuneration Committee.	Complied	Please refer page 65
7.10.5(a)	**Composition of Remuneration Committee** Shall comprise of Non-Executive Directors a majority of whom will be Independent.	Complied	All three are independent Non-Executive Directors
7.10.5(b)	**Functions of Remuneration Committee** The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors.	Complied	Please refer page 65
7.10.5(c)	**Disclosure in the Annual Report** The Annual Report should set out;		
	i. Names of the Directors comprising the Remuneration Committee.	Complied	Please refer page 65
	ii. Statement of Remuneration Policy	Complied	Please refer page 65
	iii. Aggregated remuneration paid to Executive and Non-Executive Directors.	Complied	Please refer Note 8
7.10.6	**Audit Committee** The Company shall have an Audit Committee		Please refer Audit Committee report on page 63 to 64
7.10.6(a)	**Composition**		
	i. Shall comprise of Non-Executive Directors a majority of whom will be Independent.	Complied	Please refer page 63
	ii. One Non- Executive Director shall be appointed as Chairman of the committee.	Complied	Please refer page 63
	iii. Chief Executive Officer and Chief Financial Officer shall attend Committee meetings.	Complied	Please refer page 63
	iv. The Chairman or one member of the Committee should be a Member of a professional accounting body.	Complied	Please refer page 63

Section	Applicable Rule	Compliance Status	Details
7.10.6(b)	**Functions**		
	i. Overseeing the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards	Complied	
	ii. Overseeing the compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements	Complied	
	iii. Overseeing the process to ensure that the Entity's internal controls and risk management, are adequate to meet the requirements of the Sri Lanka Accounting Standards/ IFRS migration	Complied	
	iv. Assessment of the independence and performance of the Entity's external auditors	Complied	
	v. Make recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors	Complied	Please refer Audit Committee report on page 63 to 64
7.10.6(c)	**Disclosure in Annual Report**		
	i. The names of the Directors comprising the Audit Committee.	Complied	Please refer Audit Committee report on page 63 to 64
	ii. Basis of the determination of the Independence of the Auditors.		
	iii. Report by the Audit Committee setting out the manner of compliance by the Company.		

Enterprise Risk Management

Undoubtedly, there is risk in today's volatile and uncertain business environment, which demands increased transparency within an organisation's risk profile. There are vulnerabilities, probabilities, threats and weaknesses that must be addressed to ensure that risk in any enterprise is mitigated. This greater emphasis on risk and risk management also prompts greater penalties on entities that do not or fail to manage key risks, which naturally permeates to organisations being more cognisant of identifying and assessing risks. In this backdrop, it is also increasingly important that once these risks are identified and assessed, they are managed with pre-defined tolerances. Any entity faces myriad risks, from well known risks that are inherent and characteristic of the business to unknown risks that may emerge or are just emerging. Risk resilient organisations must objectively assess their existing risk management capabilities, evaluate their organisational culture with regard to risk, performance and reward and implement sustainable risk management practices.

In the current market context, risk is defined as the probability or threat of a liability, loss or other negative occurrence, caused by external or internal vulnerabilities which would affect the desired objectives of the organisation. This also means that stakeholder expectations must be worked into the organisations risk management strategy. Vulnerabilities could mean exposure that could trigger an adverse outcome and therefore, prevent the achievement of company objectives.

The process of risk management at DCSL involves analysing exposure to risks, by identifying vulnerabilities and their probability of occurrence, which determines the way we handle such exposure. This would therefore involve the implementation of numerous policies, procedures and practices that work in conjunction to identifying, analysing, evaluating, monitoring and prioritising risks, which will follow the application of coordinated and economical solutions that minimise the probability and impact of identified vulnerabilities. Once identified, elimination, reduction, transfer and retention are the broad risk management strategies employed across DCSL.

Changes in Risk Profile

Given the range of industry, geographic locales and market segments that our business spans, the diversification which we have embarked upon provides a prudent pathway that would signal positive correlation between business and environmental risks, while on the converse, exposing the Group to a wider spread of risks, as well as opportunities.

This therefore prompts the DCSL Board to make risk assessment and identification of mitigating activities a priority and pivotal in achieving the Group's strategic objectives. The Board is tasked with an overall responsibility for monitoring risks and gaining assurance for managing these risks at an acceptable level.

STRATEGIC ACTION PLAN

Board oversight coupled with a strong organisational ethic is the cornerstone of DCSL risk framework.

The Board remains acutely aware that to generate business value it must manage and oversee all possible risks that the business or external factors could impose on the profitability of the Company, while in tandem, protecting and enhancing shareholder wealth. The DCSL Board is committed to deploying the highest standards of risk management to support a strong governance framework, ensuring that shareholder wealth is safeguarded from all the possible risk elements.

A dedicated team has been established to assist the Board in reviewing risk factors at regular intervals. Evaluation meetings are held to ensure that the focus from effective risk coverage remains strong and concentrated. The Board is kept updated on the progress and its opinion sought for mitigating any challenges that may emerge.

Risk Management Framework

The Group remains committed to increasing shareholder value within a carefully designed risk management framework. An effective risk management framework enables us to prioritise and allocate resources against those risks that underscore the ongoing sustainability of the organisation. Our systematic policies help us to identify and uncover risks and help us to be cognisant of the same. This preparedness builds the resilience of the organisation and allows us to establish procedures for risk mitigation.

The principal risks in achieving the Group objectives of enhancing shareholder value and safeguarding the Group's assets have been identified as set out overleaf. The nature and the scope of risks are subject to change and not all of the factors listed, are within the control of your Company. It should be noted that the other factors besides those listed may affect the performance of the business, although we do reiterate, that we remain very vigilant to both internal and external factors that could prompt risk in any form and therefore, are able to, without delay, implement strategies to prevent, minimise or mitigate those ensuing risks.

DCSL Group's risk management framework takes into account the range of risks to be managed, the systems and processes in place to deal with these risks and the chain of responsibility within the organisation to monitor the effectiveness of the mitigation measures.

Enterprise Risk Management

Risk & Implication	Mitigation Strategies
Credit Risk & Implication	**Mitigation Strategies:**
This risk ensues when a Group customer is unable to meet his financial obligations.	• Measure, monitor and manage credit risk for each borrower through clear credit approval procedures • Regularly review customer credit ratings Constantly update records to ensure complete awareness of borrower credit status Please refer financial risk management note on pages 142 to 145
Legal and Regulatory Risk & Implication	**Mitigation Strategies**
Risks arising from non conformance to statutory and regulatory requirements remain a reality due to the possibilities of changes to regulations and policies being sudden or constant. It also increases costs and liabilities due to these periodic regulatory changes. The nature of our liquor, telecommunications, insurance and finance businesses continue to be subjected to a steady stream of changes in regulations and extensive compliance requirements. The authorities have severely restricted liquor advertising and limited other forms of communication with consumers via promotional and distribution activities, all of which affect profitability.	• Established a dedicated unit to keep abreast of all policy changes, to manage risk and ensure adherence to all regulations • Recruitment of ex-regulators to senior positions within the Group.
Investment Risk & Implication	**Mitigation Strategies**
The Group handles significant market investments which require smooth pre-study, monitoring and control. In this regard, there is stringent conformance by the Board in practicing due diligence.	• The Chairman/Managing Director is tasked with tracking returns on Group investments with the assistance of the Head of Finance and Group Financial Controller • The Board develops policies and procedures to ensure that new investments and initiatives are subjected to mandatory compliance procedures. • Regular reviews by Audit Committee and Internal Audit Division
Human Risk & Implication	**Mitigation Strategies**
This is the risk arising from the inability to attract and retain skilled staff at middle to senior management levels. The migration of skilled workers, which is a phenomenon across most industry sectors, has created a brain-drain and the Group remains at risk of losing key personnel to better job prospects overseas.	• Maintaining above industry remuneration schemes • Skills upgrading • Professional growth avenues • Performance-based reward systems • Best practices being introduced and upgraded continually • Measures are taken to retain and minimise casual/ temporary labor turnover.

Risk & Implication	Mitigation Strategies
Operational Risk & Implication	**Mitigation Strategies**
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The nature of our business renders us vulnerable to several common operational risks including fraud, human error, natural disasters, loss of data and unrequited disclosure of sensitive information.	• A structured internal control framework implemented works through a state of the art MIS system, internal audit mechanism and insurance policies • A comprehensive system established to ensure that any loss is communicated to all related parties and across the company to prevent similar incidences • Regular meetings are conducted to assess these risks • Contingency plans are in place to minimise work-stop situations • Financial risk arising from operation is covered in financial risk management on pages 142 to 145
Socio-Economic Risk & Implication	**Mitigation Strategies**
Given the government diktat in stifling and repressing then consumption of alcohol and tobacco, there is a very real threat being imposed on the Company's profitability and the perception of our business. In this milieu also exists a thriving of spurious liquor manufacturers, which naturally erodes our profitability base. A resurgent economy however should boost licit alcohol consumption.	• A committed Investigations Unit established to monitor and report illegal activities that challenge our business
Socio-Political Risk & Implication	**Mitigation Strategies**
Socio-Political risk is the possibility of instability in a country or the world which would cascade to negatively impacting markets. Unrest of any kind could affect investor attitudes toward the markets in general, leading to disruption of business. Continuity of a cohesive policy towards local business is a key element here.	Our diversified portfolio of businesses encompasses investments that will not be minimally impacted. The only exception being was the enactment of the Revival of Underperforming Enterprises and Underutilised Assets Act that re-acquired land of Pelwatte Sugar Industries PLC. Here again, the impact was managed and legal redress is being sought.
Technology Risk & Implication	**Mitigation Strategies**
Stemming from the failure of the Group's ICT systems where hardware, software and communications systems may have breakdowns, halts and herald lack of recovery, as a business that leverages strategically on ICT systems, we are very much aware of the potentiality of risk and the cascading negativities that could result to both business and profitability due to Technology Risk. The Group has identified system failures and theft of information as factors that can cause significant levels of operational, reputational and financial loss to the Group.	• Implementation of stringent barriers including password protection and restricted access, stringent user guidelines, contingency plans and physical security measures closely monitored by the Central IT Unit. • Comprehensive backup and recovery systems in place • A robust ERP system is deployed in the Company. Phased implementation of same across group companies.

Enterprise Risk Management

Risk & Implication	Mitigation Strategies
Product Risk & Implication	**Mitigation Strategies**
Product risk implies any negative impact or perceived impact of our products on stakeholders in general which could decrease our market share. There were no reported incidents of intoxication or health hazards arising from our range of liquor products.	• Employing established operating procedures to review and approve all raw material prior to use, to ensure maintenance of quality control • Remain emphatic on safety, health and environmental hazards that may ensue due to possible negative publicity • Equipping our R&D Team with ample knowledge to field any technical questions about our products • Marketing and distribution procedures have complete control of the supply chain
Foreign Exchange Risk & Implication	**Mitigation Strategies**
A depreciated Sri Lankan Rupee could impact the importation of rectified spirits and foreign brands in our distilleries portfolio.	• Remaining acutely attuned to the frequent changes seen in foreign currency rates with our bankers Please refer financial risk management note on pages 142 to 145
Cheaper Product, Counterfeiting and Unethical Competition Risk & Implication	**Mitigation Strategies**
An increase in the import and in some cases smuggling and counterfeit of cheaper products that compete directly with our product portfolio could create an impact on our locally manufactured products, leading our products to be out priced in the market. This also endangers a reputational risk. The nature of the liquor business increases incidences of counterfeiting and smuggling of low quality or sub-quality liquor. The success of our brands also fuels a lucrative breeding ground for counterfeiters to indulge in illegal activity.	• Ensuring our products are competitively priced and continue to retain the highest standards of quality in order to drive a loyal consumer base who disregard cheaper options • Our Investigations unit maintains close scrutiny on any counterfeit DCSL products in the market • Communicate and demonstrate to our consumers on measures and processes in identifying DCSL brands, authorised dealers and retailers • Continuing to improve manufacturing process which includes tamper proof bottles • Make every effort to sustain and enhance brand equity, ensuring that consumers are not cheated in any manner due to third party action • Co-operate with law enforcement bodies to curb illegal distillation

Audit Committee Report

Composition

The Audit Committee appointed by and responsible to the Board of Directors comprise three Independent Non-Executive Directors. The Chairman of the Committee is Mr. C .F. Fernando, a Senior Chartered Accountant and a former Managing Director of the Company. The other members of the Audit Committee comprise Mr. N. de S. Deva Aditya, Member of the European Parliament and Dr. Naomal Balasuriya, a renowned Motivational Speaker and Corporate Trainer. A brief profile of each member is given on pages 23.

The Company Secretary functions as the Secretary to the Audit Committee.

Meetings

The Audit Committee met five times during the year. Mr. N. de S. Deva Aditya could not attend any meetings during the year due to his engagements abroad. Nevertheless, Mr. Deva Aditya was represented at all meeting by his Alternate and was kept informed of all the proceedings of the Audit Committee and his opinion was sought on important matters through his alternate on the Board. The attendance of the other members at these meetings are as follows:

Mr. C. F. Fernando	5/5
Dr. Naomal Balasuriya	5/5

The Group Financial Controller, Head of Finance and Chief Internal Auditor also attended these meetings by invitation when needed.

Terms of Reference

The Audit Committee Charter approved and adopted by the Board clearly sets out the terms of reference governing the Audit Committee ensuring highest compliance with the Corporate Governance Rules applicable to Listed Companies in accordance with the Rules of the CSE and the Code of Best Practice on Corporate Governance.

As allowed by the Listing Rules of the Colombo Stock Exchange, the Audit Committee of the Company, functions as the Audit Committee of each of the subsidiary companies which have not appointed a separate Audit Committee. All matters are dealt with through the Agenda of the Parent Company Audit Committee.

Activities and Responsibilities Financial Reporting

The Committee reviewed and discussed the financial reporting system adopted by the Group in the preparation of its quarterly and annual financial statements with the Management and the External Auditors. Purpose being to ensure reliability of the processes and the consistency of the Accounting Policies adopted and its compliance with the Sri Lanka Accounting Standards and the provisions of the Companies Act No. 07 of 2007. The committee reviewed the implementation of the new Sri Lanka Accounting Standards which converged with the International Financial Reporting Standard in the Group and the resulting effects on the financial statements for the year ended 31 March 2013, which were prepared in accordance with these standards

Internal Audit

The internal audit function of the Company was carried out by the Internal Audit Division. The Committee reviewed the effectiveness of the internal audit plan to ensure that it has been designed to provide reasonable assurance that the financial reporting system adopted by the Group can be relied upon in the preparation and presentation of the Financial Statements. The Committee also reviewed the findings of the Internal Auditors and their recommendations together with the management responses and regularly followed up the progress of the implementation of such recommendations in order to enhance the overall control environment.

External Audit

The Audit Committee met with the External Auditors to discuss the scope and the audit strategy including the coordination of the Group Audit. The Committee also reviewed the Report of the Auditors & Management Letters issued by them with and without the Management on separate occasions to ensure that no limitations have been placed on their independence of work and conduct of the audit.

The Committee carried out an annual evaluation of the External Auditors to establish their independence and objectivity and also obtained a written declaration from the Auditors in this regard. The Committee has stipulated that the Lead Audit Partner is rotated every five years.

Audit Committee Report

The Audit Committee has recommended to the Board of Directors that Messrs. KPMG be reappointed as Auditors for the financial year ending 31 March 2013.

Compliance with Laws and Regulations

The Committee reviewed the quarterly compliance reports submitted by the relevant officers to ensure that the Group has complied with all statutory requirements.

Conclusion

The Audit Committee is satisfied that the Group's accounting policies, operational controls and risk management processes provide reasonable assurance that the affairs of the Group are managed in accordance with Group policies and that Group assets are properly accounted for and adequately safeguarded.

C. F. Fernando
Chairman
Audit Committee

16 August 2013.

Remuneration Committee Report

The Remuneration Committee of the Distilleries Company of Sri Lanka PLC [DCSL], appointed and responsible to the Board of Directors, comprises of three Independent, Non Executive Directors. They are namely Mr. C. F. Fernando, a Senior Chartered Accountant and former Managing Director of DCSL, Mr. Niranjan de S. Deva Aditya, Member of the European Parliament and Dr. Naomal Balasuriya, Motivational Speaker, who chairs the committee.

Brief profiles of these Directors are given on page 23. Ms. Vijayanthi Senaratne, Company Secretary functions as the secretary to this committee. All members of this committee are free from all business and other relationships that could hamper their duties as members of this body.

The Remuneration Committee, is governed by the Remuneration Committee Charter, which has been approved and adopted by the Board of Directors. This committee is responsible for determining the remuneration policy relating to the Chairman, Directors and Key Management Personnel of the company.

The committee formally met once during the year with all members being present. The Chairman/ Managing Director who is responsible for the overall management of the company assists the committee by providing necessary information and by participating in its deliberations by invitation.

The Remuneration Committee continues to believe strongly that the remuneration policy of DCSL should be in par with industry standards in order that the company will continue to attract, motivate and retain the "best of the best" with regards to professional and managerial talent.

This committee is also of the view that it must formulate policies that will enhance not only the productivity of the organisation but also its competitiveness in order to ensure that the Distilleries Company of Sri Lanka PLC will continue to be amongst the "Top Ten" of the corporate sector of Sri Lanka.

Naomal Balasuriya

Dr Naomal Balasuriya
Chairman
Remuneration Committee

16 August 2013.

Annual Report of the Board of Directors

The Board of Directors of Distilleries Company of Sri Lanka PLC has pleasure in presenting the 23rd Annual Report and the Audited Financial Statements of the Company and the Group for the financial year ended 31 March 2013.

Principal Activities

The principal activities of Distilleries Company of Sri Lanka PLC are distillation, manufacture and distribution of liquor products. The Company has also invested in a portfolio of diverse business enterprises comprising the DCSL Group.

Business Review

A review of the Group's business, providing a comprehensive analysis of the financial and operational performance along with future trends and business development activities are described in the 'Chairman's Message' and 'Management Discussion and Analysis' sections of the Annual Report.

Amount Due from Secretary to the Treasury o/a of Sri Lanka Insurance Corporation Ltd (SLIC)

We still await the payment of profit earned during DCSL Group's tenure at the helm of SLIC. We are hopeful that the profit earned to be paid as per the Supreme Court directive will be reimbursed to us early as possible. Detail note is given in note 38 to the Financial Statements.

Pelwatte Sugar Industries PLC (PSIP)

Following the expropriation of the PSIP by the State, the ownership of this property remains unresolved. The Company has not changed its position advocated since the occurrence of this unfortunate incident of being the legal owner of the property and as such, we have communicated our views to the Treasury. However, as a precautionary measure, the Company has also lodged an official claim with the Compensation Tribunal, appointed by the State. We hope some clarity regarding this untoward situation would be forthcoming within the new financial year. Further details are given in note 37 to the Financial Statements.

Melstacorp Limited

During the year, as part of the Group's restructuring initiative investment holdings in the following companies were structured into Company's fully owned Subsidiary Melstacorp Limited.

Balangoda Plantations PLC
Browns Beach Hotels PLC
Madulsima Plantations PLC
Aitken Spence PLC

Further, a part of Land & Buildings of the Company structured into Melsta Properties (Pvt) Limited during the year and details of which are listed in Note 12.3 to the Financial Statements.

Melstacorp Share Trust (Trustee) was created effective from 1 April 2011 for the holding of the company shares. Details are given in note 21.1 to the financial statements.

The Securities and Exchange Commission (SEC) had filed a case before the Colombo Fort Magistrate against the ten defendants including Melstacorp Limited on charges of having violated Section 52(1) (2) (3) of the SEC Act. Melstacorp Limited has filed an action in the Court of Appeal and the relief prayed thereof include the stay in proceedings of the case filed by the SEC. Subsequent to the reporting date a settlement has been agreed upon by the Securities and Exchange Commission (SEC) and Melstacorp Limited for cases pending in the Court of Appeal and Fort Magistrate's Court.

Melsta Regal Finance Limited

Melsta Regal Finance Limited a fully owned subsidiary of Melstacorp Limited commenced its commercial operation in October 2012, The Melsta Regal Finance is registered under the Finance Business Act No.42 of 2011 (Reg. No 40) as a Finance Company in Sri Lanka offers a complete range of financial services.

Results and Appropriations

The gross turnover of the Group in the year under review amounted to Rs. 65,790 Mn. The Group profit after tax amounted to Rs. 5,258 Mn. The segmental analysis of the turnover and profit is provided in Note 40 to the Financial Statements. The Board of Directors has recommended a dividend of Rs. 3.00 per share (2011/12 - Rs.3.00 per share) for the financial year ended 31 March 2013, amounting to Rs.900 Mn. The dividend payout for the year under review has been formulated in accordance with the Company's policy to pay sustainable dividends linked to long term performance, keeping in view the Company's need for capital for its growth plans and the intent to finance such plans through internally generated funds. An optimum debt/equity mix is warrented for DCSL given the volatility in money markets and fact that DCSL is taxed at high rate of 40%.

The Board Directors confirm that the Company satisfies the requirements of the Solvency Test in accordance with Section 56 (2) of the Companies Act No. 07 of 2007 on the payment of the proposed dividend. A solvency certificate in this regard is received from the Auditors.

Financial Statements

The Financial Statements of the Company and the Group for the year ended 31 March 2013 as approved by the Board of Directors on 16 August 2012 are given on pages 74 to 152.

Audit Report

The Auditor's Report on the Financial Statements of the Company and the Group is given on page 73.

Accounting Policies

The accounting policies adopted in the preparation and presentation of the Financial Statements are given on pages 80 to 96. There were no material changes in the accounting policies adopted by the Group during the year under review. The directors have reviewed the implementation of the new Sri Lanka Accounting Standards which converged with the International Financial Reporting Standard in the Group and the resulting effects on the financial statements for the year ended 31 March 2013 which were prepared in accordance with these standards.

Investments

Total investments of the Company in subsidiaries, associates and other equity investments amounted to Rs.42,325 Mn (2011/12 – Rs. 52,091 Mn). The details of the investments are given in Notes 16, 17 and 18 to the Financial Statements.

Property, Plant and Equipment

The net book value of property, plant and equipment of the Company and the Group as at 31 March 2013 was 3,875 Mn (2011/12 – Rs.3,441 Mn) and Rs.15,121 Mn (2011/12 – Rs.14,127 Mn.

Total capital expenditure during the year for acquisition of Property, Plant and Equipment by the Company and the Group amounted to Rs. 21 Mn (2011/12 – Rs. 214 Mn) and Rs. 787 Mn (2011/12 – Rs. 1,891 Mn) respectively.

The details of Property, Plant and Equipment are given in Note 12 to the Financial Statements.

Stated Capital and Reserves

The Stated Capital of the Company as at 31 March 2013 was Rs.300 Mn consisting of an equal number of Ordinary Shares. There was no change in the stated capital during the year. The total Group Reserves as at 31 March 2013 amounted to Rs.47,678 Mn comprising of Capital Reserves of Rs.5,469 Mn and Revenue Reserves & Retained Earnings of Rs.42,210 Mn, the movement of which is disclosed in the Statement of Changes in Equity.

Internal Controls and Risk Management

The Directors acknowledge their responsibility for the Groups' system of internal control. The systems are designed to provide reasonable assurance that the assets of the Group are safeguarded and to ensure that proper accounting records are maintained.

The Board, having reviewed the system of internal control is satisfied with the systems and measures in effect at the date of signing this report. At present DCSL is rolling out an ERP system across the Group. This is underway and will be fully functional by the next financial year ending 31 March 2014.

Capital and Other Commitments

Capital Commitments and contingent liabilities are disclosed in Note 35 and 36 to the Financial Statements of the Company.

Events after the Reporting Date

There are no material events or circumstances that have arisen since the reporting date that would require adjustment, other than the information disclosed in Note 39 to the Financial Statements.

Employees

The number of persons employed by the Company and Group as at 31 March 2013 was 1,343 (2011/12 –1,389) and 18,674 (2011/12 -18,158) respectively.

Board of Directors

The Board of Directors of the Company as at 31 March 2013 and their brief profiles are given on pages 23.

Annual Report of the Board of Directors

Directors Standing for Re-election

In terms of Article 92 of the Articles of Association of the Company, Mr. R.K. Obeyesekere and Mr. K. J. Kahanda retire by rotation and being eligible are being recommended by the Board for re-election.

Further, in terms of section 210 of the Companies Act, Mr. D. H. S. Jayawardena who is over the age of 70 years has to be reappointed by the membership annually. Accordingly, notice has been given of a resolution in terms of section 211 of the Companies Act No. 07 of 2007 to propose the reappointment of Mr. D.H.S. Jayawardena, notwithstanding the age limit of 70 years. Also, in terms of section 210 of the Companies Act, Mr. C. F. Fernando who is over the age of 70 years has to be reappointed by the membership annually. Accordingly, notice has been given of a resolution in terms of section 211 of the Companies Act No. 07 of 2007 to propose the re-appointment of Mr. C. F. Fernando, notwithstanding the age limit of 70 years.

Interest Register

The Company maintains an Interest Register in compliance with the Companies Act No. 07 of 2007. This Annual Report also contains particulars of entries made in the Interest Register. Directors' Interests in Contracts Directors' interests in contracts are disclosed in the Related Party Transactions under Note 34 to the Financial Statements. A Code of Business Conduct and Ethics along with other controls are in place to ensure that related party transactions involving directors, senior managers or their connected parties are conducted on an arm's length basis. The Directors to the best of their knowledge and belief hereby confirm compliance with this code.

Directors' Shareholdings

The shareholdings of Directors of the Company as defined under the Colombo Stock Exchange Rules are as follows.

	As at 31 March 2013	As at 31 March 2012
D. H. S. Jayawardena	Nil	Nil
R. K. Obeyesekere	Nil	Nil
C. R. Jansz	Nil	Nil
N. de S. Deva Aditya	Nil	Nil
K. J. Kahanda	Nil	Nil
C. F. Fernando	2,062	2,062
A. N. Balasuriya	Nil	Nil

Messrs. D. H. S. Jayawardena and R. K. Obeyesekere are shareholders of Milford Exports (Ceylon) Ltd. and Stassen Exports Limited, who hold significant stakes in the Company directly and indirectly. The shareholdings by these entities are available on page 156 of the Annual Report.

Directors' Remuneration

Directors' Remuneration in respect of the Company for the year is given in Note 8 to the Financial Statements.

Share Information

Information relating to Earnings, Dividends, Net Assets and Market Value per Share is given on pages 2. There were 11,402 registered shareholders holding ordinary voting shares as at 31 March 2013. The distribution and the composition of shareholdings are given on page 155 of this report. Major Shareholdings details of the Twenty Major Shareholders of the Company including the number of shares held by them are given on page 156 of the Annual Report.

Corporate Governance

The Board has ensured that the Company has complied with the Listing Rules of the Colombo Stock Exchange and the Code of Best Practices on Corporate Governance issued by the Securities and Exchange Commission and the Institute of Chartered Accountants of Sri Lanka. The Board is committed towards the furtherance of Corporate Governance principles of the Company. The measures taken in this regard are set out in the Corporate Governance Report.

Board Committees

The Board has appointed two Sub-Committees i.e. the Audit Committee and the Remuneration Committee. The composition and responsibilities of the said Committees are detailed in the respective reports.

Environment

The Company has not engaged in any activity that was detrimental to the environment and has been in due compliance with all applicable laws and regulations of the country to the best of its ability. The Group's effort to conserve scarce and non-renewable resources are more fully described in the Sustainability Report.

Statutory Payments

The Directors, to the best of their knowledge and belief are satisfied that all statutory obligations due to the government and its employees have been duly paid or adequately provided for in the Financial Statements as confirmed by the Statement of Directors' Responsibility.

Going Concern

The directors having reviewed the business plans, capital expenditure commitments and expected cash flows are satisfied that the Company and the Group have adequate resources to continue operations for the foreseeable future and therefore continue to adopt the going concern basis in preparing these Financial Statements.

Auditors

Messrs. KPMG, Chartered Accountants are deemed re-appointed, in terms of section 158 of the Companies Act No. 07 of 2007, as Auditors of the Company. A resolution to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting. Total audit fees paid to Messrs. KPMG and other Auditors of Group companies are disclosed in Note 08 to the Financial Statements. The Auditors of the Company and its subsidiaries have confirmed that they do not have any relationship with the Company or its subsidiaries (other than that of Auditor) that would have an impact on their independence.

Annual General Meeting

The 23rd Annual General Meeting of the Company will be held at the Committee Room "B" of Bandaranaike Memorial International Conference Hall (BMICH) on 27 September 2013 at 10.00 a.m. The Notice of Meeting appears on page 165 of the Annual Report.

For and on behalf of the Board of Directors,

D. H. S. Jayawardena
Chairman/ Managing Director

C. R. Jansz
Director

V. J. Senaratne

V. J. Senaratne
Company Secretary

16 August 2013.
Colombo

FINANCIAL REPORT

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Financial Information

Statement of Directors Responsibility

The Directors are responsible under the Companies Act No. 07 of 2007, to ensure compliance of the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of the affairs of the Company and its Subsidiaries as at the Reporting date and the profit of the Company and its Subsidiaries for the financial year.

The Board accepts the responsibility for the integrity and objectivity of the Financial Statements presented. The Directors confirm that proper accounting records have been maintained and appropriate accounting policies have been selected and applied consistently in the preparation of such Financial Statements which have been prepared and presented in accordance with the Sri Lanka Accounting Standards and provide information required by the Companies Act and the Listing Rules of the Colombo Stock Exchange.

Further, the Directors confirm that the Financial Statements have been prepared on a going concern basis and are of the view that sufficient funds and other resources are available within the Group to continue its operations and to facilitate planned future expansions and capital commitments.

The Directors have taken adequate measures to safeguard the assets of the Group and in this regard have established appropriate systems of internal control with a view to preventing and detecting fraud and other irregularities.

The External Auditors were provided with all information and explanations necessary to enable them to form their opinion on the Financial Statements.

The Directors are confident that the Company would satisfy the solvency test as mandated under Section 56 (2) of the Companies Act No. 07 of 2007 regarding the payment of the proposed dividend and have sought a Certificate of Solvency from its Auditors.

Compliance Report

The Directors confirm that to the best of their knowledge and belief that all statutory payments in relation to regulatory and statutory authorities that were due in respect of the Company and its Subsidiaries as at the Reporting date have been paid or where relevant, provided for.

By Order of the Board,

V. J. Senaratne

V. J. Senaratne
Company Secretary

16 August 2013.

Independent Auditors' Report

KPMG
(Chartered Accountants)
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TO THE SHAREHOLDERS OF DISTILLERIES COMPANY OF SRI LANKA PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Distilleries Company of Sri Lanka PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statements of financial position as at 31 March 2013, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 74 to 152 of the annual report.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit except for the matter mentioned in the group opinion paragraph. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion- Company

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2013 and the financial statements give a true and fair view of the financial position of the Company as at 31 March 2013, and of its financial performance and its cash flow for the year then ended in accordance with Sri Lanka Accounting Standards.

Opinion- Group

As described in note 37 to the Financial Statements, last six months results ending 31 March 2012 and twelve months results ending 31 March 2013 relates to Pelwatte Sugar Industries PLC group (PSIP), a sub subsidiary, have not been incorporated to the Group results due to non accessibility of the information. The first six months profits amounting to Rs. 821.7 Mn of PSIP for the period ended 30 September 2011 and the net assets as at 30 September 2011 amounting to Rs.1,634.3 Mn which includes non controlling interest, have been incorporated in the consolidated financial statements of the Group for the year ended 31 March 2012 and the financial position of the Group as at 31 March 2013, based on the un-audited financial statements. Therefore we were unable to satisfy ourselves as to the completeness and accuracy of the amounts included in the consolidated financial statements in respect of the above as at 31 March 2012 and 31 March 2013.

As described in note 21.1 to the financial statements Trade and Other receivable of the group includes Rs. 1,471.5 Mn receivable from Melstacorp Limited Share Trust. However as at the reporting date share ownership has not been transferred under the name of the Trust and the terms of loan and recoverability not determined.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves in respect of the matters mentioned in preceding paragraphs, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries dealt with thereby as at 31 March 2013, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Sections 153(2) to 153(7) of the Companies Act No. 07 of 2007.

KPMG

CHARTERED ACCOUNTANTS
Colombo,

16 August 2013.

Statements of Comprehensive Income

For the year ended 31 March,	Notes	GROUP 2013 Rs. '000	GROUP 2012 Rs. '000	COMPANY 2013 Rs. '000	COMPANY 2012 Rs. '000
Gross Revenue	4	**65,790,460**	63,124,895	**51,548,909**	49,135,563
Net Revenue		**28,766,493**	26,974,788	**17,461,451**	15,275,878
Cost of Sales, Benefits & Losses		**(15,897,683)**	(14,765,678)	**(9,103,172)**	(8,364,254)
Gross Profit		**12,868,810**	12,209,110	**8,358,279**	6,911,624
Investment & Other Income	5	**1,762,381**	1,652,842	**4,365,477**	1,635,598
Distribution Expenses		**(1,842,069)**	(1,912,569)	**(297,128)**	(257,598)
Administrative Expenses		**(3,436,406)**	(3,177,576)	**(918,144)**	(789,821)
Other Operating Gains/(Losses)	6	**(911,499)**	(485,901)	**(855,617)**	(256,347)
Profit from Operations		**8,441,217**	8,285,906	**10,652,867**	7,243,456
Finance Expenses	7	**(1,648,649)**	(674,180)	**(1,376,919)**	(338,067)
Share of Profit of Equity Accounted Investees	17.1	**1,291,749**	1,364,992	**-**	-
Profit before Taxation	8	**8,084,317**	8,976,718	**9,275,948**	6,905,389
Tax Expenses	9	**(2,826,147)**	(2,924,312)	**(2,403,225)**	(2,608,238)
Profit for the year		**5,258,170**	6,052,406	**6,872,723**	4,297,151
Other Comprehensive Income					
Net Change in Fair Value of Available-for-Sale Financial Assets		**2,021,748**	(2,282,353)	**578,500**	(2,355,718)
Defined Benift Plan Acturial Gain/(Losses)		**10,047**	1,343	**6,667**	(283)
Revaluation of Freehold Land		**96,611**	476,500	**-**	-
Share of Other Comprehensive Income of Equity-Accounted Investees		**109,196**	478,368	**-**	-
Total Other Comprehensive Income		**2,237,602**	(1,326,142)	**585,167**	(2,356,001)
Total Comprehensive Income for the year		**7,495,772**	4,726,264	7,457,890	1,941,150
Profit attributable to:					
Equity Holders of the Company		**5,139,807**	5,535,595	**6,872,723**	4,297,151
Non Controlling Interest		**118,363**	516,811	**-**	-
		5,258,170	6,052,406	**6,872,723**	4,297,151
Total Comprehensive Income attributable to:					
Equity Holders of the Company		**7,321,046**	3,932,012	**7,457,890**	1,941,150
Non Controlling Interest		**174,726**	794,252	**-**	-
		7,495,772	4,726,264	**7,457,890**	1,941,150
Earnings per Share (Rs.)	10	**17.13**	18.45	**10.68**	11.85
Dividend per Share (Rs.)	11	**3.00**	3.00	**3.00**	3.00

Notes from pages 80 to 152 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Statements of Financial Position

As at 31 March,	Notes	GROUP 2013 Rs. '000	GROUP 2012 Rs. '000	GROUP As at 1 April 2011 Rs. '000	COMPANY 2013 Rs. '000	COMPANY 2012 Rs. '000	COMPANY As at 1 April 2011 Rs. '000
Non Current Assets							
Property, Plant & Equipment	12	**15,121,446**	14,127,473	13,164,705	**3,874,904**	3,440,992	4,574,385
Leasehold Property, Plant & Equipment	13	**316,541**	334,933	353,325	-	-	-
Biological Assets	14	**2,707,414**	2,449,033	2,246,148	-	-	-
Intangible Assets	15	**2,316,306**	2,363,327	2,405,416	**17,277**	16,061	16,061
Investments in Subsidiaries	16	-	-	-	**35,714,117**	37,383,240	7,346,923
Investments in Equity Accounted Investees	17	**20,914,985**	19,655,716	12,204,018	**28,703**	8,258,094	8,272,307
Long Term Investments	18	**14,512,561**	12,224,623	7,368,162	**5,897,294**	5,873,952	7,327,012
Goodwill on Acquisition	19	**601,312**	1,377,878	1,032,012	-	-	-
Deferred Tax Assets	28.2	**63,039**	78,410	59,706	**1,915**	10,223	-
Advance Lease Premium		-	200	1,402	-	-	-
		56,553,604	52,611,593	38,834,890	**45,534,210**	54,982,562	27,536,688
Current Assets							
Short Term Investments	18	**1,768,476**	1,315,827	673,512	**684,758**	575,544	387,151
Inventories	20	**6,139,705**	5,785,032	4,565,646	**2,503,798**	2,086,176	2,006,559
Trade & Other Receivables	21	**8,190,251**	8,209,801	5,940,401	**3,366,090**	3,341,786	2,665,527
Amounts due from Subsidiaries	22	-	-	-	**2,531,056**	754,845	247,737
Amounts due from Associate and Related Companies	23	**749,654**	477,699	99,948	**556,074**	459,133	55,433
Short Term Deposits	24	**3,824,871**	4,157,311	8,730,084	**70,410**	90,676	5,411,981
Cash & Cash Equivalents	25	**1,017,775**	797,336	740,682	**695,789**	272,010	314,032
		21,690,732	20,743,006	20,750,273	**10,407,975**	7,580,170	11,088,420
Assets Classified as Held for Sale	33	**518**	508	26,895	-	-	-
Total Assets		**78,244,854**	73,355,107	59,612,058	**55,942,185**	62,562,732	38,625,108
EQUITY AND LIABILITIES							
Equity							
Stated Capital	26.1	**300,000**	300,000	300,000	**300,000**	300,000	300,000
Reserves	26.2	**20,443,534**	18,251,842	19,913,771	**14,734,635**	14,502,984	17,275,379
Retained Earnings		**27,234,314**	23,023,914	18,151,920	**24,120,488**	17,794,249	13,664,348
Equity attributable to Equity Holders of the Company		**47,977,848**	41,575,756	38,365,691	**39,155,123**	32,597,233	31,239,727
Non Controlling Interest		**4,734,869**	4,570,349	3,862,193	-	-	-
Total Equity		**52,712,717**	46,146,105	42,227,884	**39,155,123**	32,597,233	31,239,727
Non-Current Liabilities							
Interest bearing Loans & Borrowings	27	**602,216**	1,320,149	565,776	**125,006**	895,000	-
Deferred Tax Liabilities	28.1	**477,214**	486,219	470,644	-	-	160,132
Retirement Benefit Obligations	29	**1,147,981**	1,103,085	1,038,779	**115,365**	116,105	109,991
Deferred Income	30	**316,010**	322,107	307,133	-	-	-
		2,543,421	3,231,560	2,382,332	**240,371**	1,011,105	270,123
Current Liabilities							
Trade and Other Payables	31	**11,466,775**	11,413,981	9,531,856	**6,688,337**	6,678,096	5,756,828
Amount due to Related Companies and Subsidiaries	32	**242,479**	227,563	316,324	**971,425**	12,473,128	30,650
Income Tax Payable		**726,651**	1,287,684	1,262,471	**435,901**	956,598	1,073,202
Interest bearing Loans & Borrowings	27	**10,552,811**	11,048,214	3,891,191	**8,451,028**	8,846,572	254,578
		22,988,716	23,977,442	15,001,842	**16,546,691**	28,954,394	7,115,258
Total Equity and Liabilities		**78,244,854**	73,355,107	59,612,058	**55,942,185**	62,562,732	38,625,108
Net Assets per Share (Rs.)		**159.93**	138.59	127.89	**130.52**	108.66	104.13

Notes from pages 80 to 152 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

I certify that the Financial Statements have been prepared and presented in compliance with the requirements of Companies Act No. 07 of 2007.

N.N. Nagahawatte
Head of Finance

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Signed for and on behalf of the board;

D.H.S. Jayawardena
Chairman/ Managing Director

C.F. Fernando
Director

16 August 2013.

Statements of Changes in Equity

GROUP	Attributable to Equity Holders of the Company										
	Stated Capital	Capital Reserve	Revaluation Reserve	General Reserve	Exchange Fluctuation Reserve	Timber Reserve	AFS Reserve	Retained Earnings	Total	Non Controlling Interest	Total Equity
	Rs. '000	Rs. '000	Rs. '000	Rs.'000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Restated Balance as at 1 April 2011	300,000	112,061	4,827,834	8,210,000	89,603	532,597	6,141,676	18,151,920	38,365,691	3,862,193	42,227,884
Profit for the year	-	-	-	-	-	-	-	5,535,595	5,535,595	516,811	6,052,406
Other comprehensive income											
Net Change in Fair Value of Available-for-Sale Financial Assets	-	-	-	-	-	-	(2,282,353)	-	(2,282,353)	-	(2,282,353)
Defined Benefit Plan Actuarial Gain/(Losses)	-	-	-	-	-	-	-	1,273	1,273	70	1,343
Revaluation of Freehold Land	-	-	199,129	-	-	-	-	-	199,129	277,371	476,500
Share of Other Comprehensive Income of Equity Accounted Investees	-	-	17 3,620	-	259,703	-	(25,771)	70,816	478,368	-	478,368
Total Other Comprehensive Income for the year	-	-	372,749	-	259,703	-	(2,308,124)	72,089	(1,603,583)	277,441	(1,326,142)
Total Comprehensive Income for the year	-	-	372,749	-	259,703	-	(2,308,124)	5,607,684	3,932,012	794,252	4,726,264
Transactions with Owners of the Company directly recognised into Equity											
Dividend paid to Non Controlling Shareholders	-	-	-	-	-	-	-	-	-	(27,702)	(27,702)
Effect of Acquisitions, Disposals, Change Accounting Policies and change in percentage holding in Subsidiaries	-	-	-	-	-	-	-	223,819	223,819	(76,500)	147,319
Direct Cost on Share Issues	-	-	-	-	-	-	-	(177,660)	(177,660)	-	(177,660)
Transfer to Timber Reserve	-	-	-	-	-	13,743	-	(31,849)	(18,106)	18,106	-
Dividend Paid (2010/11)	-	-	-	-	-	-	-	(750,000)	(750,000)	-	(750,000)
Total transactions with Owners of the Equity	-	-	-	-	-	13,743	-	(735,690)	(721,947)	(86,096)	(808,043)
Balance as at 31 March 2012	300,000	112,061	5,200,583	8,210,000	349,306	546,340	3,833,552	23,023,914	41,575,756	4,570,349	46,146,105

GROUP	Attributable to Equity Holders of the Company										
	Stated Capital	Capital Reserve	Revaluation Reserve	General Reserve	Exchange Fluctuation Reserve	Timber Reserve	AFS Reserve	Retained Earnings	Total	Non Controlling Interest	Total Equity
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1 April 2012	300,000	112,061	5,200,583	8,210,000	349,306	546,340	3,833,552	23,023,914	41,575,756	4,570,349	46,146,105
Profit for the Year	-	-	-	-	-	-	-	5,139,807	5,139,807	118,363	5,258,170
Other Comprehensive Income											
Net Change in Fair Value of Available-for-Sale Financial Assets	-	-	-	-	-	-	2,021,748	-	2,021,748	-	2,021,748
Defined Benift Plan Acturial Gain/(Losses)	-	-	-	-	-	-	-	9,960	9,960	87	10,047
Revaluation of Freehold Land	-	-	40,335	-	-	-	-	-	40,335	56,276	96,611
Share of Other Comprehensive Income of Equity Accounted Investees	-	-	115,781	-	(20,371)	-	14,733	(947)	109,196	-	109,196
Total Other Comprehensive Income for the year	-	-	156,116	-	(20,371)	-	2,036,481	9,013	2,181,239	56,363	2,237,602
Total comprehensive income for the year	-		156,116	-	(20,371)	-	2,036,481	5,148,820	7,321,046	174,726	7,495,772
Transactions with Owners of the Company directly recognised into Equity											
Dividend paid to Non Controlling Shareholders	-	-		-	-	-	-	-	-	(236)	(236)
Effect of Acquisitions, Disposals, change of Accounting Policies and change in percentage holding in Subsidiaries	-	-	-	-	-	-	-	5,132	5,132	(33,875)	(28,743)
Direct Cost on Share Issue	-	-	-	-	-	-	-	(867)	(867)	-	(867)
Transfer to Timber Reserve	-	-	-	-	-	19,466	-	(42,685)	(23,219)	23,219	-
Share Capital issued	-	-	-	-	-	-	-	-	-	686	686
Dividend Paid (2011/12)	-	-	-	-	-	-	-	(900,000)	(900,000)	-	(900,000)
Total transactions with Owners of the Equity	-	-	-	-	-	19,466	-	(938,420)	(918,954)	(10,206)	(929,160)
Balance as at 31 March 2013	300,000	112,061	5,356,699	8,210,000	328,935	565,806	5,870,033	27,234,314	47,977,848	4,734,869	52,712,717

Notes from pages 80 to 152 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Statements of Changes in Equity

COMPANY	Stated Capital Rs. '000	Capital Reserve Rs. '000	Revaluation Reserve Rs. '000	General Reserve Rs. '000	AFS Reserve Rs. '000	Retained Earnings Rs. '000	Total Rs. '000
Restated Balance as at 01 April 2011	300,000	107,882	2,815,768	8,210,000	6,141,729	13,664,348	31,239,727
Profit for the year	-	-		-	-	4,297,151	4,297,151
Other Comprehensive Income							
Net Change in Fair Value of Available-for-Sale Financial Assets	-	-		-	(2,355,718)	-	(2,355,718)
Defined Benift Plan Acturial Gain/(Losses)	-	-		-	-	(283)	(283)
Total Other Comprehensive Income for the year	-	-	-	-	(2,355,718)	(283)	(2,356,001)
Total Comprehensive Income for the year	-	-		-	(2,355,718)	4,296,868	1,941,150
Transactions with Owners of the Company directly recognised into Equity							
Transfer to Retained Earnings	-	-	(583,033)	-	-	583,033	-
Deferred Tax	-	-	166,356	-	-	-	166,356
Dividend Paid	-	-	-	-	-	(750,000)	(750,000)
Total transactions with Owners of the Company	-	-	(416,677)	-	-	(166,967)	(583,644)
Balance as at 31 March 2012	300,000	107,882	2,399,091	8,210,000	3,786,011	17,794,249	32,597,233
Balance as at 01 April 2012	300,000	107,882	2,399,091	8,210,000	3,786,011	17,794,249	32,597,233
Profit for the year	-	-	-	-	-	6,872,723	6,872,723
Other Comprehensive Income							
Net Change in Fair Value of Available-for-Sale Financial Assets	-	-	-	-	578,500	-	578,500
Defined Benift Plan Acturial Gain/(Losses)	-	-	-	-	-	6,667	6,667
Total Other Comprehensive Income for the year	-	-	-	-	578,500	6,667	585,167
Total Comprehensive Income for the year	-	-	-	-	578,500	6,879,390	7,457,890
Transactions with Owners of the Company directly recognised into Equity							
Transfer to Retained Earnings	-	-	(346,849)	-	-	346,849	-
Dividend Paid	-	-	-	-	-	(900,000)	(900,000)
Total transactions with Owners of the Company	-	-	(346,849)	-	-	(553,151)	(900,000)
Balance as at 31 March 2013	300,000	107,882	2,052,242	8,210,000	4,364,511	24,120,488	39,155,123

Notes from pages 80 to 152 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Statements of Cash Flows

For the year ended 31 March,	GROUP 2013 Rs.'000	GROUP 2012 Rs.'000	COMPANY 2013 Rs.'000	COMPANY 2012 Rs.'000
Cashflows From Operating Activities				
Profit before Taxation	8,084,317	8,976,718	9,275,948	6,905,389
Adjustment for				
Depreciation/Amortisation Property, Plant & Equipment	1,700,128	1,683,708	158,678	188,047
Provision for Retirement Gratuity	152,584	175,697	18,494	19,451
Interest Expenses	1,648,649	674,180	1,376,919	338,067
Interest Income	(539,701)	(701,926)	(74,040)	(334,251)
Dividend Income	(542,561)	(334,721)	(460,947)	(408,206)
Gain on disposal of Property,Plant & Equipment	(11,268)	(55,664)	(39,985)	(453,165)
Amortisation of Deferred Income	(13,770)	(13,776)	-	-
Gain/(Loss) on fair value of Biological Assets	(42,685)	(31,849)	-	-
Provision for Inventories	150,760	36,157	-	-
Provision for Bad & Doubtful Debts	171,550	288,398	-	-
Impairment of Goodwill	776,566	-	-	-
Gain on Disposal of Shares	(49,041)	(45,547)	(3,674,915)	(345,367)
Share of Profit of Equity Accounted Investees	(1,291,749)	(1,364,992)	-	-
Reversal of Gains /(Losses) on Financial Assets at FVTPL	(14,974)	485,901	855,617	256,347
Operating Profit before Working Capital Changes	10,178,805	9,772,284	7,435,769	6,166,312
(Increase)/Decrease in Inventories	(505,433)	(1,255,543)	(417,621)	(79,618)
(Increase)/Decrease in Receivables	(377,125)	(2,559,141)	(2,818,189)	(2,302,631)
Increase/(Decrease) in Payables	58,334	1,882,125	3,254,127	1,247,582
Cash Generated from Operations	9,354,578	7,839,725	7,454,086	5,031,645
Interest Paid	(1,648,649)	(674,180)	(1,376,919)	(338,067)
Income Tax Paid	(3,488,446)	(2,902,887)	(2,915,614)	(2,725,021)
Retiring Gratuity Paid	(97,641)	(110,048)	(12,566)	(13,620)
Net Cash Flow generated from Operating Activities	4,119,842	4,152,610	3,148,987	1,954,937
Cash Flow from Investing Activities				
Acquisition of Shares and Other Investments	(488,634)	(14,581,804)	(39,047)	(16,533,365)
Acquisition of Property, Plant & Equipment & Intangible Assets	(2,837,385)	(2,252,785)	(1,139,371)	(318,180)
Investments in Subsidiaries	(2,853)	(152,782)	-	-
Dividends Received	485,687	334,721	404,073	408,206
Proceeds on disposal of Property, Plant & Equipment	24,514	121,754	4,393	37,826
Proceeds on disposal of Shares and Other Investments	150,661	195,865	6,600	33,953
Interest Received	539,701	701,926	74,040	334,251
Net Cash Flow Used in Investing Activities	(2,128,309)	(15,633,105)	(689,312)	(16,037,309)
Cash Flow from Financing Activities				
Dividend Paid/(Investment made by) Non Controlling Interest	(236)	(27,702)	-	-
Term Loan Received	1,396,516	2,552,993	500,000	2,000,000
Repayments of Loans	(2,082,527)	(1,056,724)	(1,144,998)	(85,000)
Direct Cost on Share Issue	(867)	(177,660)	-	-
Dividend Paid	(890,624)	(750,000)	(890,624)	(767,949)
Net Cash Flow (used)/generated from Financing Activities	(1,577,738)	540,907	(1,535,622)	1,147,051
Net Increase/(Decrease) in Cash & Cash Equivalent during the year	413,795	(10,939,588)	924,053	(12,935,321)
Cash & Cash Equivalents				
At the beginning of the year	(4,327,341)	6,612,247	(7,463,886)	5,471,435
Net movement during the year	413,795	(10,939,588)	924,053	(12,935,321)
At the end of the year (Note A)	(3,913,546)	(4,327,341)	(6,539,833)	(7,463,886)
Note A-Cash and Equivalents are as follows				
Short Term Deposits (Note - 24)	3,824,871	4,157,311	70,410	90,676
Cas in Transit (Note - 25)	277,394	128,377	270,787	128,377
Cash in Hand & Bank (Note - 25)	740,381	668,959	425,002	143,633
Bank & Other Borrowings (Note - 27)	(8,756,192)	(9,281,988)	(7,306,032)	(7,826,572)
	(3,913,546)	(4,327,341)	(6,539,833)	(7,463,886)

Notes from pages 80 to 152 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Notes to the Financial Statements

1. Reporting Entity

1.1 Domicile & Legal Form

Distilleries Company of Sri Lanka PLC (Company) is a quoted Public Limited Company incorporated and domiciled in Sri Lanka. The registered office and principal place of business of the Company is located at 110, Norris Canal Road, Colombo 10.

The consolidated Financial Statements of Distilleries Company of Sri Lanka PLC, as at and for the year ended 31 March 2013 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates.

1.2 Principle Activities and Nature of Operation

The principal activity of the Company is distillation, manufacture and distribution of liquor products. Description of the nature of the operations and principal activities of the subsidiaries and associates are given in Note 17.3.

1.3 Parent Enterprise and Ultimate Parent Enterprise

The immediate and ultimate parent entity of Distilleries Company of Sri Lanka PLC is Milford Exports Ceylon (Pvt) Limited.

The Financial Statements of all the companies in the Group other than those mentioned in Note 17.3 to the Financial Statements are prepared for a common financial year, which ends on 31 March.

2. Basis of Preparation

2.1 Statement of Compliance

The Financial Statements of the Company and the Group have been prepared in accordance with new Sri Lanka Accounting Standards (SLFRS) as laid down by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the requirements of the Companies Act No. 07 of 2007.

These are the Groups first financial statements prepared and presented in accordance with the new Sri Lanka Accounting Standards and SLFRS 1 First – time adoption of Sri Lanka Accounting Standards has been applied. An explanation on how the transition to Sri Lanka Accounting Standards (SLFRSs) has affected the previously reported financial position and financial performance of the Group is provided in Note 43.

The Financial Statements were authorised for issue by the Board of Directors on 16 August 2013.

2.2 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis except as indicated below.

Land and Building	Fair value
Defined benefit obligation	Actuarially valued and recognised at present value of the defined benefit obligation
Available for sale financial assets	Fair Value
Fair value through profit or loss financial assets	Fair Value
Consumerble Biological Assets	Fair Value

2.3 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees, which is the Company's functional currency. All financial information presented in Sri Lankan Rupees has been given to the nearest thousand, unless stated otherwise.

2.4 Use of Estimates and Judgments

The preparation of Financial Statements in conformity with SLFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates and judgmental decisions.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Information about assumption and estimation uncertainty that have significant effect on the amounts recognised in the consolidated financial statements is included in notes;

Note 14 – Biological Assets
Note 21 – Provisions for bad and doubtful debts
Note 29 – Measurement of defined benefit plan
Note 35 – Provisions for contingencies

3. Significant Accounting Policies

Accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The accounting policies have been applied consistently by the entities in the Group. Where applicable and deviations if any, have been disclosed accordingly.

3.1 Basis of Consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Non Controlling interests

For each business combination, the Group elects to measure any non controlling interests in the acquiree either:

- at fair value; or
- at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(iv) Transactions Eliminated on Consolidation

Intra-group balances and transactions and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with Associates are eliminated against the investment in the associate, to the extent of the Group's interest in the enterprise.

(v) Loss of Control

Upon the loss of control, the Group de-recognises the assets and liabilities of the subsidiary, any non controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at carrying amount at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Notes to the Financial Statements

3. Significant Accounting Policies (contd.)

3.1 Basis of Consolidation (contd.)

(vi) Foreign Currency Translation

Transactions in foreign currencies are translated into Rupees at the rate of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Rupees at the rate of exchange prevailing at the Reporting date. Foreign exchange differences arising on the settlement or reporting of the Group's monetary items at rates different from those which were initially recorded are dealt with in the Statement of Comprehensive Income.

3.2 Property, Plant & Equipment

3.2.1 Freehold Assets

a. Recognition

Properties, Plant & Equipments are tangible items that are held for servicing, or for administrative purposes and are expected to be used during more than one period. Property, Plant & Equipment are recognised if it is probable that future economic benefits associated with the assets will flow to the Group and cost of the asset can be reliably measured.

b. Measurement

Items of property, plant & equipment are measured at cost or at fair value in the case of land and buildings less accumulated depreciation and accumulated impairment losses.

The cost of property, plant & equipment includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

c. Subsequent Cost

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Group and the cost of the item can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognised in the Statement of Comprehensive Income.

d. Impairment

Carrying amount of property, plant & equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

e. De-recognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognising of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Comprehensive Income in the year the asset is derecognised.

f. Revaluation

The Group revalues its land and buildings at least once in every five years which is measured at its fair value at the date of revaluation less any subsequent impairment losses. On revaluation of land, any increase in the revaluation amount is credited to the revaluation reserve in shareholder's equity unless it off sets a previous decrease in value of the same asset that was recognised in the Statement of Comprehensive Income. A decrease in value is recognised in the Statement of Comprehensive Income where it exceeds the increase previously recognised in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to retained earnings and is not taken into account in arriving at the gain or loss on disposal.

g. Depreciation

Depreciation is recognised in the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of each part of an item of property, plant & equipment. Freehold land is not depreciated. Assets held under finance lease are

g. Depreciation (contd.)

depreciated over the shorter of the lease term or the useful lives of equivalent owned assets.

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

The estimated useful lives used for this purpose, which are consistent with that of the preceding years, are:

Freehold Buildings	20 years
Plant, Machinery & Equipment	10 years
Furniture, Fittings, Office Equipment & Fire Fighting Equipment	10 years
Vats & Casks	10 years
Oil Storage Tanks	10 years
Computers	03 years
Motor Vehicles	04 years
Empty Drums	02 years
Kitchen Equipment	10 years
Soft Furnishing, Crockery, Cutlery and Glassware	05 years

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

3.2.2 Leased Assets

Assets obtained under the finance lease, which effectively transfer to the Group substantially, all of the risks and benefits incidental to ownership of the leased assets, are treated as if they have been purchased outright and are capitalised at their cash price. Assets acquired by way of a finance lease are measured at an amount equal to the lower of their fair value and the present value of minimum lease payments at the inception, less accumulated depreciation and accumulated impairment losses.

Assets held under finance lease are amortised over the shorter of the lease period or the useful lives of equivalent-owned assets, unless ownership is not transferred at the end of the lease period. The principal/ capital elements payable to the lessor are shown as liability/ obligation. The lease rentals are treated as consisting of capital and interest elements. The capital element in the rental that is applied to reduce the outstanding obligation and interest element is charged against profit, in proportion to the reducing capital element outstanding.

The cost of improvements to or on leased property is capitalised, disclosed as improvements to leasehold property and depreciated over the unexpired period of the lease, or the estimated useful lives of the improvements, whichever is shorter.

3.3 Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of the business, use in the production or supply of goods or services or administrative purpose. Investment properties are initially measured at its cost including related transaction costs. The group opts the cost model and it is therefore carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Investment properties are derecognised when disposed or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses retirement or disposal is recognised in the Statement of Comprehensive Income in the year of retirement or disposal. Transfers are made to investment property, when there is a change in use. Where group companies a significant portion of investment property of a subsidiary, such investment properties are treated as property, plant & equipment the consolidated financial statements and accounted for as per LKAS 16 Property, Plant & Equipment.

3.4 Operating Leases

When the lessor effectively retains substantially all the risks and rewards of an asset under the lease agreement, such leases are classified as operating leases. Payments under operating leases are recognised as expense in the Statement of Comprehensive Income over the period of lease on a straight line basis.

Notes to the Financial Statements

3. Significant Accounting Policies (contd.)

3.5 Intangible Asset

An intangible asset is recognised if it is probable that future economic benefits will flow to the entity and the cost of the asset can be measured reliably in accordance with LKAS 38 on Intangible Assets. Intangible assets with finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

3.5.1 Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of Group's share of the net identifiable assets of the acquired Subsidiary at the date of acquisition. Goodwill acquired in a business combination is tested annually for impairment or more frequently if events or changes in circumstance indicate that it might be impaired and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of loan generating units that are expected to benefit from the business combination in which goodwill arose.

3.6 Inventories

Inventories are measured at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses. The general basis on which cost is determined is: all inventory items, except manufactured inventories and work-in-progress are measured at weighted average directly attributable cost.

Manufactured inventories and work-in-progress are measured at weighted average factory cost which includes all direct expenditure and appropriate shares of production overhead based on normal operating capacity.

3.7 Financial Instruments

3.7.1 Non-derivative Financial Assets

The Group recognises a financial asset or financial liabilities in its Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of a financial asset (other than financial assets at fair value through profit and loss) are added or deducted from the fair value of the financial asset, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

The Group has following non derivative financial assets: Fair value through profit or loss, Loans and receivables, Held to Maturity and Available for sale.

a. Fair Value through Profit or Loss

A financial asset is classified as fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as fair value through profit or loss if the Group manages such investments and makes purchase and sales decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Fair value through profit or loss comprise trading portfolio of the Group which includes investment in quoted shares.

b. Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method less any impairment losses.

Loans and receivables comprise trade receivables, amounts due for related parties, trust certificates, short term deposits and cash and cash equivalents.

c. Held to Maturity

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held to Maturity financial assets are recognised initially at fair value plus any direct attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using effective interest method, less any impairment losses.

Held to Maturity financial assets comprise debt securities.

d. Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available- for-sale financial assets comprise of investment in unquoted shares and unit trust an quoted shares purchased for long term investment purpose.

e. Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

Investments with short maturities, i.e. three months or less from the date of acquisition are also treated as cash equivalents.

f. De-recognition

The Group derecognises the financial asset when the rights to receive cash flows from the asset have expired or when it transfer the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor substantially all risks and rewards of ownership and it does not retain control of the financial asset.

3.7.2 Non- derivative Financial Liabilities

Non-derivative financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Financial liabilities comprise of interest bearing loans, trade and other payables and bank overdrafts.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the statement of cash flows.

a. De-recognition

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

3.7.3 Share Capital

a. Ordinary Share Capital

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

3.8 Impairment

3.8.1 Non Financial Assets

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill that has indefinite life, recoverable amount is estimated at each reporting date or more frequently, if events or changes in circumstances indicate that it might be impaired.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their

3. Significant Accounting Policies (contd.)

3.8 Impairment (contd.)

3.8.1 Non Financial Assets (contd.)

present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss in respect of goodwill is not reversed.

3.8.2 Financial Assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that can be estimated reliably. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

Financial Assets measured at Amortised Cost

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held-to-maturity financial assets) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-Sale Financial Assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

3.9 Employee Benefit

Defined Contribution Plans

Defined contribution plan is a post-employment benefit plan under which contributions are made into a separate fund and the entity will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plan are recognised as an employee benefit expense in profit or loss in the periods during services is rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The valuation is performed annually by a qualified actuary using the projected unit credit method. When the valuation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss. The Group recognises all actuarial gains and losses arising from defined benefit plans directly in the other comprehensive income and all expenses related to defined benefit plan in personnel expense in profit or loss.

Short Term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

3.10 Provisions, Contingent Assets and Contingent Liabilities

Provisions are recognised, if as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. All the contingent liabilities are disclosed, as Notes to the Financial Statements unless the outflow of resources is made contingent assets if exits are disclosed when inflow of economic benefit is probable.

3.10.1 Commitments

All material commitments as at the reporting date have been identified and disclosed in the Notes to the Financial Statements.

3.11 Income Statements

For the purpose of presentation of the Income Statement, the function of expenses method is adopted, as it represents fairly the elements of Group performance.

3.11.1 Revenue

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Dividend Income from investment is recognised when the shareholder's right to receive payment has been established.

Rental Income is recognised in profit and loss as it accrues.

Gains and losses on the disposal of investments held by the Group have been accounted for in the Statement of comprehensive income.

Gains and losses on the disposal of property, plant & equipment are determined by comparing the net sales proceeds with carrying amount. These are included in profit and loss.

3.11.2 Expenses

All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year.

Repairs and renewals are charged to the profit and loss in the year in which the expenditure is incurred.

Expenditure incurred for the purpose of acquiring, extending or improving assets of a permanent nature by means of which to carry on the business or for

Notes to the Financial Statements

3. Significant Accounting Policies (contd.)

3.11 Income Statements (contd.)

3.11.2 Expenses (contd.)

the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

3.11.2.1 Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that takes a substantial period of time to get ready for its intended use or sale is capitalised as part of that asset.

3.11.2.2 Finance Income and Expenses

Finance income comprises interest income on funds invested (including available for sale financial assets), gains on the disposal of available for sale financial assets. Interest income is recognised as it accrues in the Statement of Comprehensive Income, using the effective interest method.

Finance cost comprise interest expenses on borrowings, unwinding of the discount on provisions and contingent consideration, losses on disposal of available for sale financial assets, impairment losses recognised on financial assets (other than trade receivables).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest rate method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3.11.2.3 Income Tax Expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

a. Income Tax

Provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act, No.10 of 2006 and amendments made thereto.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date and any adjustments to tax payable in respect of previous years.

b. Deferred Tax

Deferred tax is recognised using the reporting method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax withheld on dividend income from subsidiaries and associates is recognised as an expense in the Consolidated Income Statement at the same time as the liability to pay the related dividend is recognised.

3.12 General

3.12.1 Events Occurring after the Reporting Date

All material post reporting events have been considered and where appropriate adjustments or disclosures have been made in the respective notes to the Financial Statements.

3.12.2 Earnings Per Share

The Group presents basic and diluted Earnings Per Share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.12.3 Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (Business Segment) or in providing products or services within a particular economic environment (Geographical Segment), which is subject to risks and rewards that are different from those of other segments.

The activities of the segments are described in Note 40 to the Financial Statements.

3.12.4 Cash Flow Statement

The cash flow statement has been prepared using the in-direct method.

3.12.5 Comparative Figures

Where necessary comparative figures have been reclassified to conform to the current year's presentation.

3.12.6 Grants and Subsidies

Grants and subsidies are credited to the Statements of Comprehensive Income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Grants related to assets, including non-monetary grants at fair value, are deferred in the Reporting and credited to the Income Statement over the useful life of the related asset.

Grants related to income are recognised in the Income Statement in the period in which it is receivable.

3.12.7 Pricing

The Group transfers products from one industry segment for use in another. These transfers are based on cost / fair market prices.

3.13. First Time Adoption of SLFRSs/LKAS

The Financial Statements, for the year ended 31 March 2013, are the first Financial Statements prepared in accordance with SLFRS/LKAS. For period up to and including the year ended 31 March 2012, the Group prepared its Financial Statements in accordance with Sri Lanka Accounting Standard (SLASs) that existed immediately prior to 1 January 2012.

3.14. Policies Specific to Plantation Sector

3.14.1 Biological Asset

3.14.1.1 Immature and Mature Plantations

Biological assets are classified in to mature biological assets and immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specification. Tea, rubber, other plantations and nurseries are classified as biological assets.

Biological assets are further classified as bearer biological assets and consumable biological assets. Bearer biological asset includes tea plants, those that are not intended to be sold or harvested, however used to grow for harvesting agriculture produce. Consumable biological assets includes managed timber trees those that are to be harvested as agricultural produce from biological assets or sold as biological assets.

The entity recognise the biological assets when, and only when, the entity controls the assets as a result of past event, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

The bearer biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 – Property Plant & Equipment as per the ruling issued by CASL.

3. Significant Accounting Policies (contd.)

3.14. Policies Specific to Plantation Sector (contd.)

3.14.1 Biological Asset (contd.)

3.14.1.1 Immature and Mature Plantations (contd.)

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter planting and fertilizing, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads, including interest attributable to long-term loans used for financing immature plantations. The expenditure incurred on bearer biological assets (Tea, Rubber, Timber fields) which comes into bearing during the year, is transferred to mature plantations. Expenditure incurred on consumable biological assets is recorded at cost at initial recognition and thereafter at fair value at the end of each reporting period.

Permanent impairments to biological asset are charged to the Income Statement in full and reduced to the net carrying amounts of such asset in the year of occurrence after ascertaining the loss.

The managed timber trees are measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial. The fair value of timber trees are measured using DCF method taking in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer. Key assumptions and sensitivity analysis are given in Note 14.2.

The main variables in DCF model concerns

Variable	Comment
Currency valuation	Rs.
Timber content	Estimate based on physical verification of girth, height and considering the growth of the each spices in different geographical regions.
	Factor all the prevailing statutory regulations enforced for harvesting of timber coupled with forestry plan of the company.
Economic useful life	Estimated based on the normal life span of each spices by factoring the forestry plan of the Company
Selling price	Estimated based on prevailing Sri Lankan market price. Factor all the conditions to be fulfilled in bringing the trees in to saleable condition
Planting cost	Estimated costs for the further development of immature areas are deducted.
Discount rate	Future cash flows are discounted at following discount rates: Timber trees 13%

Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads, less provision for overgrown plants.

The gain or loss arising on initial recognition of biological assets at fair value less cost to sell and from a change in fair value less cost to sell of biological assets are included in profit or loss for the period in which it arises.

3.14.2 Infilling Cost on Bearer Biological Assets

The land development costs incurred in the form of infilling have been capitalised to the relevant mature field, if it increases the expected future benefits from that field, beyond its pre-infilling performance assessment. Infilling costs so capitalised are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation, or the unexpired lease period, whichever is lower.

Infilling costs that are not capitalised have been charged to the Income Statement in the year in which they are incurred.

3.14.3 Land Development Cost

Permanent land development costs are those costs incurred in making major infrastructure development and building new access roads on leasehold lands.

These costs have been capitalised and amortised over the remaining lease period.

Permanent impairments to land development costs are charged to the Income Statement in full or reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

3.14.4 Depreciation and Amortisation

(a) Depreciation

Depreciation is recognised in Income Statement on a straight-line basis over the estimated useful economic lives of each part of an item of Property, Plant & Equipment. Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the Group will have ownership by the end of the lease term. Lease period of land acquired from JEDB/ SLSPC will be expired in year 2045. The estimated useful lives for the current and comparative periods are as follows:

	No. of Years	Rate (%)
Buildings & Roads	40	2.50
Plant & Machinery	20/25	5.00/4.00
Motor Vehicles	15/20	6.67/5.00
Equipment	8/4	12.50/25
Furniture & Fittings	10	10.00
Mature Plantations (Replanting and New Planting)		
Tea	33 1/3	3.00
Rubber	20	5.00

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date on which the asset is classified as held for sale or is derecognised. Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted prospectively, if appropriate. Mature plantations are depreciated over their useful lives or unexpired lease period, whichever is less. No depreciation is provided for immature plantations.

(b) Amortisation

The leasehold rights of assets taken over from SLSPC are amortised in equal amounts over the shorter of the remaining lease periods and the useful lives as follows:

	No. of Years	Rate (%)
Bare land	53	1.89
Improvements to land	30	3.33
Mature Plantations (Tea & Rubber)	30	3.33
Buildings	25	4.00
Machinery	15	6.67

3.14.5 Deferred Income

3.14.5.1 Grants and Subsidies

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the income statement over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant. Assets are amortised over their useful lives as follows;

- Buildings 40 years

3.15 Policies Specific to Insurance Sector

3.15.1 Insurance Contracts

As permitted by SLFRS 4 Insurance Contracts, the Group continues to apply the existing accounting policies for Insurance Contracts that were applied prior to the adoption of SLFRS.

Product Classification

SLFRS 4 requires contracts written by insurers to be classified as either "insurance contracts" or "investment contracts" depending on the level of insurance risk transferred.

Notes to the Financial Statements

3. Significant Accounting Policies (contd.)

3.15 Policies Specific to Insurance Sector (contd.)

3.15.1 Insurance Contracts (contd.)

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk and no significant insurance risk.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

All the products sold by the Group are insurance contracts and therefore classified as Insurance contracts under the SLFRS 4 – Insurance Contracts. Thus, the Group does not have any investment contracts within its product portfolio as at the reporting date.

3.15.2 Deferred acquisition Costs (DAC)

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred and amortised over the period in which the related revenues are earned. All other acquisition costs are recognised as an expense when incurred.

The DAC is applicable only to Non - Life Insurance Contracts. In line with the available regulatory guidelines from the Insurance Board of Sri Lanka (IBSL), the DAC is calculated based on the 365 days basis.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of comprehensive income. No such indication of impairment was experienced during the year. DAC is derecognised when the related contracts are either settled or disposed-off.

3.15.3 Reinsurance

The Group cedes insurance risk in the normal course of business to recognised reinsurers through formal reinsurance arrangements. Reinsurance assets include the balances due from reinsurance companies for paid and unpaid losses and loss adjustment expenses. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance is recorded gross in the statement of financial position unless a right to offset exists.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

The impairment loss, if any is recorded in the statement of comprehensive income.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

3.15.4 Premium Receivable

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration receivable. Collectability of premiums is reviewed on an ongoing basis.

According to the Premium Payment Warranty (PPW) directive issued by the Insurance Board of Sri Lanka (IBSL), all Non-Life insurance policies are issued subject to PPW and are cancelled upon the expiry of 60 days if not settled except some selected customers where Group has allowed extra period for settlements.

3.15.5 Insurance Provision – Non - Life Insurance

Non - Life Insurance contract liabilities include the outstanding claims provision including IBNR /IBNER and provision for unearned premiums.

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date.

The valuation of Unearned Premium Reserve is measured in accordance with guidelines of the Regulation of Insurance Industry Act, No. 43 of 2000 (i.e. based on the 365 days basis). The Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER) claims reserve are actuarially computed. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

As required by the SLFRS 4- Insurance Contracts, the Group performed a Liability Adequacy Test (LAT) in respect of Non - Life Insurance contract liabilities with the assistance of the external actuary.

3.15.6 Revenue Recognition

3.15.6.1 Insurance Premiums

a) Non - Life Insurance Business

Gross written premiums - Non - Life Insurance comprise the total premiums received /receivable for the whole period of cover provided by contracts entered into during the accounting period. Gross Written Premium is generally recognised is written upon inception of the policy. Upon inception of the contract, premiums are recorded as written and are earned primarily on a pro-rata basis over the term of the related policy coverage.

Rebates that form part of the premium rate, such as no claim rebates, are deducted from the gross premium. Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on 365 days basis in accordance with the Regulation of Insurance Industry Act, No. 43 of 2000. However, for those contracts for which the period of risk differs significantly from the contract period, premiums are earned over the period of risk in proportion to the amount of insurance protection provided. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums which is included under liabilities.

b) Reinsurance Premiums

Gross reinsurance premiums on insurance contracts are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective. Reinsurance premiums are decided based on rates agreed with reinsurers. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts (using 365 days basis in accordance with the Regulation of Insurance Industry Act, No. 43 of 2000).

3.15.7 Fees and Commission Income

Insurance contract policyholders are charged for policy administration services and other contract fees. These fees are recognised as revenue upon receipt or becoming due.

3. Significant Accounting Policies (contd.)

3.15 Policies Specific to Insurance Sector (contd.)

3.15.8 Benefits, Claims and Expenses

a). Gross Benefits and Claims

Non - Life Insurance Business

Non - Life insurance claims include all claims occurring during the year, whether reported or not together with claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims.

The provision in respect of Claims Incurred But Not Reported (IBNR) and Claims Incurred But Not Enough Reported (IBNER) is actuarially valued to ensure a more realistic estimation of the future liability based on the past experience and trends. Actuarial valuations are performed on a semi-annual basis. Whilst the Directors consider that the provisions for claims are fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustments to the amounts provided. Such amounts are reflected in the financial statements for that period.

The methods used to estimate claims and the estimates made are reviewed regularly.

b). Reinsurance Claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

3.15.9 Net Deferred Acquisition Expenses

Acquisition expenses, representing commissions, which vary with and are directly related to the production of business, are deferred and amortised over the period in which the related written premiums are earned.

Reinsurance commission is also treated in the same manner within deferred acquisition costs.

3.16 Policies Specific to Telecommunication Sector

3.16.1 Depreciation

The estimated useful lives used are as follows;

Buildings	8 years
Shelters and other equipment	5 years
Vehicles	5 years
Furniture and fittings	5 years
Computer software	3 years
Leasehold improvements	5 years
Leased equipment	3 – 10 years
Office/Other equipment	1 – 5 years
Digital Electronic Switches	10 years
Network Equipment	10 years
Towers	10 years
Customer premise equipment	1 – 10 years
FLAG project assets	5 – 15 years
WiMAX	5 – 10 years

3.16.2 Intangible Assets

3.16.2.1 License Fees and Access Rights

Separately acquired licences and access rights are shown at historical cost. Expenditures on license fees and access rights that is deemed to benefit or relate to more than one financial year is classified as intangible assets and is being amortised over the agreement period on a straight line basis.

3.16.2.2 Amortisation

Amortisation is recognised in profit or loss on a straight line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Computer software	3 – 5 years
FLAG access rights	15 years
Licenses	10 years

3.16.3 Revenue

Revenue from services rendered in the course of ordinary activities is measured at fair value of the consideration received or receivable net of trade discounts and volume rebates.

Revenue is recognised when persuasive evidence exist, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable and the amount of revenue can be measured reliably.

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The revenue is recognised as follows:

3.16.3.1 Domestic and International Call Revenue, Rental Income

Revenue for call time usage by customers is recognised as revenue as services are performed on accrual basis.

Fixed rental is recognised as income on a monthly basis in relation to the period of the rental.

3.16.3.2 Revenue from other Network Operators and International Settlements

The revenue received from other network operators, local and international, for the use of the Group's telecommunication network are recognised, net of taxes, based on usage taking the traffic minutes/per second rates stipulated in the relevant agreements and regulations and based on the terms of the lease agreements for fixed rentals. Revenue arising from the interconnection of voice and data traffic between other telecommunications operators is recognised at the time of transit across the Group's network and presented on gross basis.

The relevant revenue accrued is recognised under income in the statement of comprehensive income and interconnection expenses recognised under operating costs in the statement of comprehensive income.

3.16.3.3 Revenue from Broadband

Revenue from broadband service is recognised on usage and the fixed rental on a monthly basis when it is earned net of taxes, rebates and discounts.

3.16.3.4 Revenue from other Telephony Services

The revenue from Data services and other telephony services are recognised on an accrual basis based on fixed rental contracts entered between the Group and subscribers.

3.16.3.5 Installation Revenue

The installation revenue relating to Code Divisional Multiple Access (CDMA) and non CDMA connections are deferred over the expected life of the customer on the network.

3.16.3.6 Service Agreements Revenue

Capacity contracts which convey the right to use a specified capacity in an identified fiber cable are accounted as service arrangements. Customers are charged on a monthly basis based on usage, and the contracts are for a short term.

3.16.3.6.7 Prepaid Card Revenue

Revenue from the sale of prepaid card on CDMA, Internet is recognised upon activation of the said card as the period of expiry of the card and the non refundable nature of the amounts are considered immaterial to the revenue recognition process.

3.17 Policies Specific to Finance Sector

3.17.1 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

a) Interest Income and Expense

For all financial instruments measured at amortised cost, interest bearing financial assets classified as available-for-sale and financial instruments designated as fair value through profit or loss, interest income and expense are recognised in profit or loss using the Effective Interest Rate (EIR) method. The EIR is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the EIR, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the EIR takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes all material transaction costs and fees and points paid or received that are an integral part of the EIR. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded in 'Interest Income' for financial assets and in 'Interest and similar expense' for financial liabilities.

However, for a reclassified financial asset for which the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

3.17 Policies Specific to Finance Sector (contd.)

3.17.1 Revenue Recognition (contd.)

b) Lease Income

In terms of the provisions of the Sri Lanka Accounting Standard – LKAS 17 on 'Leases', the recognition of finance income on leasing is accounted, based on a pattern reflecting a constant periodic rate of return on capital outstanding.

The excess of aggregate lease rentals receivable over the cost of the leased assets constitutes the total unearned finance income at the commencement of a lease. The unearned finance income included in the lease rentals receivable is recognised in profit or loss over the term of the lease commencing from the month in which the lease is executed using Effective Interest Rate.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability.

c) Hiring Rental Income

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3.17.2 Impairment Losses on Loans and Advances

The Group reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be provided for in the Statement of Comprehensive Income. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance made.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, by categorising them into groups of asset with similar risk characteristics, to determine whether a provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as loan to collateral ratio, level of restructured performing loans, etc.), and judgment on the effect of concentrations of risks and economic data.

3.18 Policies Specific to Hotel Sector

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts; value added taxes and intra-group revenue. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

Apartment revenue is recognised for the rooms occupied on a daily basis, whilst food beverages sales are accounted for at the time of sales.

3.19 New Standards and Interpretation not yet Adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

3.19.1 SLFRS 10 Consolidated Financial Statements, SLFRS 11 Joint Arrangements, SLFRS 12 Disclosure of Interests in Other Entities (2011)

SLFRS 10 introduces a single control model to determine whether an investee should be consolidated. As a result, the Group may need to change its consolidation conclusion in respect of its investees, which may lead to changes in the current accounting for these investees. Under SLFRS 11, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting. SLFRS 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group is currently assessing the disclosure requirements for interests in subsidiaries, interests in joint arrangements and associates and unconsolidated structured entities in comparison with the existing disclosures. SLFRS 12 requires the disclosure of information about the nature, risks and financial effects of these interests. These standard's are effective in annual period beginning on or after 1 January 2014.

3.19.2 SLFRS 13 Fair Value Measurement (2011)

SLFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout SLFRS. Subject to limited exceptions, SLFRS 13 is applied when fair value measurements or disclosures are required or permitted by other SLFRSs. The Group is currently reviewing its methodologies in determining fair values. SLFRS 13 is effective for annual periods beginning on or after 1 January 2014 with early adoption permitted.

For the year ended 31 March,	GROUP 2013 Rs.'000	GROUP 2012 Rs.'000	COMPANY 2013 Rs.'000	COMPANY 2012 Rs.'000

4. Revenue

	2013	2012	2013	2012
Gross Revenue *(Note-40)	**65,790,460**	63,124,895	**51,548,909**	49,135,563
Less: Excise Duty	**(37,023,967)**	(36,150,107)	**(34,087,458)**	(33,859,685)
Net Revenue	**28,766,493**	26,974,788	**17,461,451**	15,275,878

*Gross Turnover is stated Net of Nation Building Tax (NBT).

5. Investment Income & Other Income

	2013	2012	2013	2012
Interest Income	**539,701**	701,926	**74,040**	334,251
Dividend Income from Quoted Investments	**542,561**	334,283	**394,976**	294,520
Dividend Income from Un Quoted Investments	**-**	438	**-**	144
Dividend Income from Associate - Quoted	**-**	-	**65,971**	113,542
Sale of Timber	**56,333**	55,665	**-**	-
Gain on Disposal of Shares (Note 5.1)	**49,041**	45,547	**3,674,915**	345,367
Gain on Disposal of Property, Plant & Equipment	**11,268**	55,664	**39,985**	453,165
Amortisation of Capital Grants	**13,770**	13,776	**-**	-
Rent Income	**36,547**	64,160	**34,567**	61,842
Gain/(loss) on Fair Value of Biological Assets	**42,685**	31,849	**-**	-
Fee and Commission Income	**76,223**	56,894	**-**	-
Refunds on Telecommunication Development Charge (TDC) (Note 5.2)	**234,229**	196,535	**-**	-
Sundry Income	**160,023**	96,105	**81,023**	32,767
	1,762,381	1,652,842	**4,365,477**	1,635,598

5.1 Gain/(Loss) on Disposal of Shares

During the year ended 31 March 2013, the Company structured its Investments held in Balangoda Plantations PLC (Subsidiary), Browns Beach Hotels PLC (Subsidiary), Madulsima Plantations PLC (Associate), Aitken Spence PLC (Associate), John Keells Holdings PLC and Textured Jersey Lanka PLC into its fully own subsidiary Melstacorp Limited. As a result a capital gain of Rs. 3,668 Mn was recognised in the Company and eliminated in the Group Financial Statements as an inter group transaction.

5.2. Lanka Bell Limited - Refunds on Telecommunication Development Charge (TDC)

In accordance with the Finance Act No. 11 of 2004, all Telecommunication Gateway Operators are required to pay a levy defined as the Telecommunication Development Charge (TDC) to the Government of Sri Lanka, based on international call minutes terminated in the country. This levy was made effective from 03 March, 2003 where initially the levy was defined in such a way that Operators were allowed to claim the 2/3 of the TDC against the costs of network development charges. First revision to this regulation was introduced with effect from 15 July, 2010 with a TDC rate change from USD cents 3.80 to USD cents 1.50. Through the same revision the disbursement process was removed from the regulation. The revised rates prevailed until such time the rate was again revised to USD cents 3.0 per minute with effect from January, 2012 in accordance with the Budget Proposal for 2012. The total amount of the levy payable by the Company for the period from 1 April 2012 to 31 March 2013 was estimated at Rs.145,997,125 (2012-Rs.117,894,842) and has been recognised as expenses in the current financial year. The corresponding liability, net of payments, has been recognised in the statement of financial position.

For the year ended 31 March,	GROUP 2013 Rs.'000	GROUP 2012 Rs.'000	COMPANY 2013 Rs.'000	COMPANY 2012 Rs.'000
6. Other Operating Gains / (Losses)				
Gains / (Losses) on Financial assets at FVTPL	14,974	(485,901)	70,856	(256,347)
Impairment of Goodwill on acquisition (Note 19)	(776,566)	-	-	-
Impairment of Investment	(149,907)	-	(926,473)	-
	(911,499)	(485,901)	(855,617)	(256,347)
7. Finance Expenses				
Interest on Long Term Loans and Borrowings	529,447	270,069	275,626	23,518
Interest on Short Term Loans and Borrowings	1,100,814	316,548	1,101,293	314,549
Interest on Finance Leases	22,420	22,818	-	-
Gain/(Loss) on Translation of Foreign Currency	-	72,668	-	-
	1,652,681	682,103	1,376,919	338,067
Less: Borrowing Cost Capitalised (Note 7.1)	(4,032)	(7,923)	-	-
	1,648,649	674,180	1,376,919	338,067

7.1 Borrowing Cost Capitalised

During the year Balangoda Plantations PLC, a subsidiary of the company, capitalised borrowing cost amounting to Rs. 4,031,638/- (2011 - Rs. 7,923,357) incurred on borrowings obtained to meet expenses relating to immature plantations being part of the cost of the immature plantations. The amount of borrowing cost eligible for capitalisation is determined in accordance with LKAS 23 (Borrowing Costs).

For the year ended 31 March,	GROUP 2013 Rs.'000	GROUP 2012 Rs.'000	COMPANY 2013 Rs.'000	COMPANY 2012 Rs.'000
8. Profit Before Taxation				
Profit before tax is stated after charging all expenses including the following:				
Depreciation/Amortisation	1,700,128	1,683,708	158,678	188,047
Auditors' Remuneration - KPMG	9,142	7,415	4,604	4,100
- Other Auditors	4,420	3,454	-	-
Audit Related Services - KPMG	1,244	3,528	1,244	3,528
- Other Auditors	-	-	-	-
Non Audit Services - KPMG	3,160	860	309	676
- Other Auditors	606	548	606	548
Directors' Emoluments	60,107	19,623	22,247	18,708
Managing Agent Fees	59,606	28,854	-	-
Provision for Doubtful Debts	171,550	288,398	-	-
Provision for Inventory	150,760	36,157	-	-
Defined Benefit Plan Cost - Retiring Gratuity	152,584	175,697	18,494	19,451
Defined Contribution Plan Cost - EPF/ETF	326,571	297,516	88,469	82,019
Other Staff Cost	2,715,083	2,681,467	932,085	978,787
Number of Staff	18,674	18,158	1,343	1,389
9. Taxation				
(a) Income Tax Expense				
Income Tax on current year (Note b)	2,824,523	2,919,954	2,394,917	2,612,237
Deemed Dividend Tax	-	224	-	-
Over/(Under) Provision in respect of previous year	(4,742)	7,237	-	-
	2,819,779	2,927,415	2,394,917	2,612,237
Deferred Tax Charge/(Credit) (Note 28)	6,366	(3,103)	8,308	(3,999)
Charge to the Profit or Loss	2,826,147	2,924,312	2,403,225	2,608,238

9. Taxation (contd.)

For the year ended 31 March,	GROUP 2013 Rs.'000	GROUP 2012 Rs.'000	COMPANY 2013 Rs.'000	COMPANY 2012 Rs.'000
(b) Reconciliation of Accounting Profit to Income Tax Expense				
Profit before Tax	**8,084,317**	8,976,718	**9,275,948**	6,905,389
Income not Subject to Tax/Taxable Income at Reduced Rate	**(1,387,162)**	(2,013,034)	**(3,509,860)**	(1,605,934)
Disallowable Expenses	**872,279**	538,196	**188,953**	447,333
Allowable Expenses	**(434,580)**	(681,717)	**(101,441)**	(102,565)
Tax Loss Absorbed	**(29,455)**	(25,126)	**-**	-
Business Income	**7,105,399**	6,795,037	**5,853,600**	5,644,223
Other Income	**211,207**	1,266,246	**190,991**	1,266,246
Taxable Income	**7,316,606**	8,061,283	**6,044,591**	6,910,469
Income Tax @40%	**2,613,437**	2,494,768	**2,341,440**	2,257,689
Income Tax @35%	**-**	-	**-**	-
Income Tax @28%	**200,593**	371,508	**53,477**	354,548
Income Tax @15.76%	**10,477**	10,736	**-**	-
Income Tax @10%	**16**	42,942	**-**	-
Taxation on Profit for the Year	**2,824,523**	2,919,954	**2,394,917**	2,612,237

(c) The corporate income tax applicable to companies within the Group excluding those that are enjoying a tax holiday or a concessionary rate of tax as referred to below, is 28% and 40%.

Lanka Bell Limited
In terms of an agreement entered in to with the Board of Investment (BOI) of Sri Lanka under section 17 of Law No. 04 of 1978, the profits and income of the company is exempt for a period of twenty years commencing from year of assessment 97/98. Thereafter the company will be taxed at a normal rate of 28%.

Bogo Power (Pvt) Limited
Pursuant to the agreement dated 22 April 2010 entered with the Board of Investment under Section 17 of the BOI Law, the company is exempt from income tax arising from the income of generation of hydropower , for a period of 05 years commencing from 01 April 2012. After the expiration of the exemption period referred above,the profit & income of the enterprise shall be charged for each year of assessment at the rate of ten percent (10%)("concessionary period"), for a period of next two 02 years immediately succeeding the last date of the tax exemption period during which the profits and income of the enterprise is exempted from the income tax. After the expiration of concessionary period referred to above, the profit & income of the Enterprise shall be charged for each year of assessment at the rate of twenty percent (20%)

10. Earnings Per Share

10.1. Basic Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the year.

For the year ended 31 March,	GROUP 2013 Rs.'000	GROUP 2012 Rs.'000	COMPANY 2013 Rs.'000	COMPANY 2012 Rs.'000
Profit attributable to Ordinary Shareholders				
From Continuing Operation attributable to the Parent Entity *	**5,139,807**	5,535,595	**3,204,723**	3,554,151
Weighted Average Number of Ordinary Shares	**300,000**	300,000	**300,000**	300,000
Basic Earnings per Share (Rs.)	**17.13**	18.45	**10.68**	11.85

* For the purpose of calculation, Company profit has been adjusted for intra-group capital gain on share transfer.

10.2 Diluted Earnings per Share

There were no potential dilutive ordinary shares outstanding at any time during the year. Therefore, diluted Earnings per Share is same as Basic Earnings per Share shown above.

11. Dividend Per Share

Final Dividend Proposed / Paid	**900,000**	900,000	**900,000**	900,000
Dividend per Ordinary Share (Rs)	**3.00**	3.00	**3.00**	3.00

The Directors recommended a final dividend of Rs.3/- per share for the year ended 31 March 2013, for approval by the shareholders at the Annual General meeting to be held on 27 September 2013. As stipulated by Sri Lanka Accounting Standards - Events After the Reporting date (LKAS 10), this proposed dividend is not recognised as a liability as at 31 March 2013.

As required by Section 56 of the Companies Act No7 of 2007, the Board of Directors have satisfied the solvency test in accordance with Section 57. A statement of solvency completed and duly signed by the directors has been audited by Messrs KPMG.

However for the purpose of computing dividend per share, the final dividend to be approved has been taken into consideration.

12 Property, Plant & Equipment.

GROUP
Cost/Valuation

Freehold	As at 01.04.2011 Rs.'000	Additions During the Year Rs.'000	Revaluation During the Year Rs.'000	Disposals Rs.'000	As at 31.03.2012 Rs.'000	As at 01.04.2012 Rs.'000	Additions During the Year Rs.'000	Revaluation During the Year Rs.'000	Disposals Rs.'000	As at 31.03.2013 Rs.'000
Freehold Land	3,708,222	46,668	476,500	-	4,231,390	4,231,390	15,449	-	-	4,246,839
Improvements to Land	410,888	2,298	-	(184)	413,002	413,002	-	-	-	413,002
Freehold Buildings	1,860,039	12,488	-	-	1,872,527	1,872,527	173,339	96,611	-	2,142,477
Plant, Machinery & Water Sanitation	4,103,497	390,484	-	(1,944)	4,492,037	4,492,037	62,309	-	(2,261)	4,552,085
Fire Fighting Equipment	3,780	371	-	-	4,151	4,151	275	-	(250)	4,176
Furniture, Fittings & Office Equipment	1,104,064	49,899	-	(15,244)	1,138,719	1,138,719	61,210	-	(4,104)	1,195,825
Computer Equipment	56,241	15,761	-	(279)	71,723	71,723	29,550	-	(414)	100,859
Vats & Casks	67,234	-	-	-	67,234	67,234	2,720	-	(380)	69,574
Motor Vehicles	1,209,349	286,256	-	(51,163)	1,444,442	1,444,442	49,606	-	(10,758)	1,483,290
Oil Storage Tanks	63,713	-	-	-	63,713	63,713	-	-	-	63,713
Drums	80	-	-	-	80	80	-	-	-	80
FLAG Projects	38,361	-	-	-	38,361	38,361	-	-	-	38,361
Wi-Max	168,294	9,297	-	(1,490)	176,101	176,101	52,890	-	(2)	228,989
Electrical Fixtures and Fittings	1,046	1	-	-	1,047	1,047	-	-	-	1,047
Shelters and Other Equipment	524,774	10,874	-	(197)	535,451	535,451	8,728	-	(4,433)	539,746
Computer Software	122,786	-	-	(26,643)	96,143	96,143	781	-	-	96,924
Other Equipment	423,598	12,808	-	(12,042)	424,364	424,364	3,787	-	(8,497)	419,654
Road and Others	-	577,670	-	-	577,670	577,670	63,801	-	(352)	641,119
Network Equipment	3,962,553	232,549	-	(14,554)	4,180,548	4,180,548	55,977	-	(149,044)	4,087,481
Customer Premises Equipment	2,565,375	234,461	-	-	2,799,836	2,799,836	202,974	-	(82,783)	2,920,027
	20,393,894	1,881,885	476,500	(123,740)	22,628,539	22,628,539	783,396	96,611	(263,278)	23,245,268
Leasehold										
Buildings on Leasehold Land	353,945	116	-	-	354,061	354,061	-	-	-	354,061
Leased hold Improvements	340,499	9,022	-	(15,985)	333,536	333,536	3,162	-	(5,735)	330,963
Improvements to Land	-	-	-	-	-	-	-	-	-	-
Leasehold Land	-	-	-	-	-	-	-	-	-	-
Equipment	21,709	-	-	(3,605)	18,104	18,104	-	-	-	18,104
Motor Vehicle	14,828	-	-	(14,828)	-	-	-	-	-	-
	730,981	9,138	-	(34,418)	705,701	705,701	3,162	-	(5,735)	703,128
Total	21,124,875	1,891,023	476,500	(158,158)	23,334,240	23,334,240	786,558	96,611	(269,013)	23,948,396

12 Property, Plant & Equipment. (contd)

GROUP
Depreciation/Amortisation

Freehold	As at 01.04.2011 Rs.'000	Charge for the Year Rs.'000	On Disposals Rs.'000	As at 31.03.2012 Rs.'000	As at 01.04.2012 Rs.'000	Charge for the Year Rs.'000	On Disposals Rs.'000	As at 31.03.2013 Rs.'000
Improvements to Land	59,739	13,497	-	73,236	73,236	5,300	-	78,536
Freehold Buildings	517,051	51,546	-	568,597	568,597	56,354	-	624,951
Plant, Machinery & Water Sanitation	1,540,673	210,707	31,513	1,782,893	1,782,893	130,717	(2,210)	1,911,400
Fire Fighting Equipment	3,161	128	-	3,289	3,289	158	(224)	3,223
Furniture, machinery & Office equipment	841,470	115,673	(41,397)	915,746	915,746	90,352	(1,992)	1,004,106
Computer Equipment	40,173	12,343	(296)	52,220	52,220	14,324	(696)	65,848
Vats & Casks	44,331	3,240	-	47,571	47,571	3,023	(380)	50,214
Motor Vehicles	859,300	166,507	(49,414)	976,393	976,393	244,167	(9,511)	1,211,049
Oil Storage Tanks	6,251	1,259	-	7,510	7,510	-	-	7,510
Drums	80	-	-	80	80	-	-	80
FLAG Projects	17,302	44,541	-	61,843	61,843	7,130	-	68,973
Wi-Max	76,102	36,367	(360)	112,109	112,109	46,749	-	158,858
Shelters and Other Equipment	367,731	63,820	(76)	431,475	431,475	48,530	(78)	479,927
Computer Software	114,824	1,672	(26,644)	89,852	89,852	213	-	90,065
Other Equipment	197,824	40,110	(6,972)	230,962	230,962	32,494	(8,497)	254,959
Road and Others	-	-	-	-	-	29,450	(352)	29,098
Network Equipment	1,635,799	364,117	(1,814)	1,998,102	1,998,102	476,889	(149,044)	2,325,947
Customer Premises Equipment	1,890,457	250,818	-	2,141,275	2,141,275	210,360	(82,783)	2,268,852
	8,212,268	1,376,345	(95,460)	9,493,153	9,493,153	1,396,210	(255,767)	10,633,596
Leasehold								
Cost/Valuation								
Buildings	73,505	17,700	-	91,205	91,205	17,703	-	108,908
Plant & Machinery	208,972	43,405	(7,133)	245,244	245,244	36,918	-	282,162
Equipment	18,218	-	(2,764)	15,454	15,454	-	-	15,454
Motor Vehicle	11,741	-	(11,741)	-	-	-	-	-
	312,436	61,105	(21,638)	351,903	351,903	54,621	-	406,524
Total	8,524,704	1,437,450	(117,098)	9,845,056	9,845,056	1,450,831	(255,767)	11,040,120
Carrying value	12,600,171			13,489,184	13,489,184			12,908,276

	As at 01.04.2011 Rs.'000	Additions During the Year Rs.'000	Capitalisation Rs.'000	As at 31.03.2012 Rs.'000	As at 01.04.2012 Rs.'000	Additions During the Year Rs.'000	Capitalisation Rs.'000	As at 31.03.2013 Rs.'000
Capital Work-In- Progress	564,534	1,662,728	(1,588,973)	638,289	638,289	2,181,432	(606,551)	2,213,170
Total Carrying value	13,164,705			14,127,473	14,127,473			15,121,446

12 Property, Plant & Equipment (contd)

12.1 Revaluation of Land and Buildings

12.1.1 Distilleries Company of Sri Lanka PLC

A valuation of freehold Land and Buildings of Distilleries Company of PLC was carried out by incorporated Valuers Mr. A. R. M. M. Kaleel and Mr. S. Sivaskantha by using contracted test basis method and incorporated in the Financial Statements of the Company as at 1 March 2011. The surplus on revaluation of Land and Building, Rs. 2,558,782,865 and Rs.428,307,050 have been credited to the revaluation reserve respectively.

The carrying amount of revalued Land and Buildings if they were carried at cost less depreciation, would be as follows;

As at 31 March,	2013		2012		As at 1 April 2011	
	Land Rs.'000	Building Rs.'000	Land Rs.'000	Building Rs.'000	Land Rs.'000	Building Rs.'000
Cost	118,959	66,805	126,110	92,770	551,289	346,228
Accumulated Depreciation	-	(60,041)	-	(85,630)	-	(189,154)
Carrying Value	118,959	6,764	126,110	7,140	551,289	157,074

12.1.2 Texpro Industries (Pvt) Ltd

The Company's land and building were revalued on 01 April 2009. The land was subsequently revalued on 3 April 2013 by a professionally qualified independent valuer K. Arthur Perera The valuation was based on contractors method of valuation. The carrying amount of the building if they were carried at cost less accumulated depreciation is as follows.

As at 31 March,	2013 Rs.000	2012 Rs.000	As at 01 April 2011 Rs.000
Cost	96,448	96,448	96,448
Accumulated Depreciation	(30,885)	(28,753)	(26,621)
	65,563	67,695	69,827

12.1.3 Browns Beach Hotels PLC

Revaluation details of land

Location	Year of Valuation	Land Rs.000
Lewis Place, Negombo	2003	74,307
Lewis Place, Negombo	2007	290,000
Lewis Place, Negombo	2012	476,500
		840,807

The Book value of freehold land owned by the Company, which is situated at No. 175,Lewis Place, Negombo has been revalued by Mr. J. Rajasooriya, (A.I.V. (Sri Lanka),M.P.V.A. (Sri Lanka) on 26 March 2003. The surplus on revaluation, Rs. 74,307,000 has been credited to the revaluation reserve.

Freehold land at No. 175, Lewis Place, Negombo was valued by Mr. J. Rajasooriya, A.I.V.(Sri Lanka), M.P.V.A. (Sri Lanka) a professional valuer, on 28 March 2007 on "Market pricing basis" and the excess of Rs. 290,000,000 over the net book value has been placed to the credit of revaluation reserve.

Free hold land at No.175, Lewis Place, Negombo of Browns Beach Hotel PLC was revalued by Mr. K. C. B. Condegama, (A.I.V. Sri Lanka) a professional valuer on 31 March 2012 on "Market Pricing Basis" and the excess of Rs. 476,500,000 over the net book value as at 31 March 2012 has been placed to the credit of revaluation reserve.

	Written Down Value as at 31/3/2013 Rs.000	Land Revaluation Surplus Rs.000	Carrying amount at Cost as at 31/3/2013 Rs.000
Freehold land (Extent 2.15 hect.)	856,500	840,807	15,693

12 Property, Plant & Equipment. (contd)

COMPANY

Cost/Valuation	As at 01.04.2011 Rs.'000	Additions During the Year Rs.'000	Revaluation During the Year Rs.'000	Disposals Rs.'000	As at 31.03.2012 Rs.'000	As at 01.04.2012 Rs.'000	Additions During the Year Rs.'000	Revaluation During the Year Rs.'000	Disposals Rs.'000	As at 31.03.2013 Rs.'000
Freehold Land	3,110,072	-	-	(592,323)	2,517,749	2,517,749	-	-	(354,000)	2,163,749
Freehold Buildings	677,142	-	-	(574,726)	102,416	102,416	-	-	(25,966)	76,450
Plant, Machinery & Water Sanitation	630,828	14,953	-	-	645,781	645,781	1,071	-	(2,261)	644,591
Fire Fighting Equipment	3,780	371	-	-	4,151	4,151	275	-	(250)	4,176
Furniture, Fittings & Office Equipment	59,179	2,740	-	-	61,919	61,919	7,034	-	(2,165)	66,788
Computer Equipment	32,373	5,982	-	-	38,355	38,355	8,703	-	(311)	46,747
Vats & Casks	67,234	-	-	-	67,234	67,234	2,720	-	(380)	69,574
Motor Vehicles	803,977	189,535	-	(460,458)	533,054	533,054	1,182	-	(4,715)	529,521
Oil Storage Tanks	315	-	-	-	315	315	-	-	-	315
Drums	80	-	-	-	80	80	-	-	-	80
	5,384,980	213,581	-	(1,627,507)	3,971,054	3,971,054	20,985	-	(390,048)	3,601,991

Accumulated Depreciation	As at 01.04.2011 Rs.'000	Charge for the year Rs.'000	Revaluation During the Year Rs.'000	Disposals Rs.'000	As at 31.03.2012 Rs.'000	As at 01.04.2012 Rs.'000	Charge for the year Rs.'000	Revaluation During the Year Rs.'000	Disposals Rs.'000	As at 31.03.2013 Rs.'000
Freehold Buildings	83,457	24,278	-	(21,552)	86,183	86,183	858	-	(25,966)	61,075
Plant, Machinery & Water Sanitation	269,342	49,952	-	-	319,294	319,294	49,939	-	(2,210)	367,023
Fire Fighting Equipment	3,161	128	-	-	3,289	3,289	158	-	(224)	3,223
Furniture, Fittings & Office Equipment	42,750	2,826	-	-	45,576	45,576	2,359	-	(1,992)	45,943
Computer Equipment	25,708	5,935	-	-	31,643	31,643	4,650	-	(311)	35,982
Vats & Casks	44,331	3,240	-	-	47,571	47,571	3,023	-	(380)	50,214
Motor Vehicles	554,702	101,688	-	(402,908)	253,482	253,482	97,691	-	(4,715)	346,458
Oil Storage Tanks	315	-	-	-	315	315	-	-	-	315
Drums	80	-	-	-	80	80	-	-	-	80
	1,023,846	188,047	-	(424,460)	787,433	787,433	158,678	-	(35,798)	910,313
Carrying Value	4,361,134				3,183,621	3,183,621				2,691,678

	As at 01.04.2011 Rs.'000	Additions During the Year Rs.'000	Capitalisation Rs.'000	As at 31.03.2012 Rs.'000	As at 01.04.2012 Rs.'000	Additions During the Year Rs.'000	Capitalisation Rs.'000	As at 31.03.2013 Rs.'000
Capital Work-In-Progress	213,251	104,598	(60,478)	257,371	257,371	1,117,169	(191,314)	1,183,226
Total Carrying value	4,574,385			3,440,992	3,440,992			3,874,904

12 Property, Plant & Equipment (contd.)

12.2 Gross carrying value of fully depreciated Property, Plant and Equipment

COMPANY

As at,	31 March 2013 Rs.'000
Freehold Buildings	59,288
Plant, Machinery & Tools & Equipment	157,803
Fire Fighting Equipment	2,626
Furniture, Fittings & Office Equipment	30,898
Computer Equipment	32,372
Vats & Casks	38,955
Motor Vehicles	145,872
Total	**467,814**

12.3 As per the Group Restructuring Plan the Land and buildings which were carried at Rs.380 Mn have been structured under its fully owned subsidiary, Melsta Properties (Pvt) Ltd.

13 Leasehold Property, Plant & Equipment

As at 31 March,	Notes	GROUP 2013 Rs.'000	2012 Rs.'000	As at 1 April 2011 Rs.'000
Right to use of Land on Lease	13.1	**202,731**	208,980	215,229
Immovable Lease Bear Biological Assets	13.2	**96,945**	105,986	115,027
Immovable Lease Assets	13.3	**16,865**	19,967	23,069
		316,541	334,933	353,325

13.1 Right to use of Land on Lease

The "Right to use of Land on Lease" as above was previously titled as "Leasehold Right to Bare lands".

The change is in order to comply with statement of Recommended practice (SoRP) issued by the institute of chartered Accountants of Sri Lanka dated 19 December 2012. Such leases have been executed for all estates for a period of 53 years.

This right to use land is amortised over the remaining lease term or useful life of the right whichever is shorter and is disclosed under non-current assets. The statement of recommended practice (SoRP) for right to use of land does not permit further revaluation of right to use land. The values taken into use of the statement of Financial Position as at June 1992 and amortisation of the right to use of land up to the end of the financial period are as follows.

	2013 Rs.'000	2012 Rs.'000	2011 Rs.'000
Capitalised Value	**331,201**	331,201	331,201
Amortisation			
As at the beginning of the year	**122,221**	115,972	109,723
Amortisation charge for the year	**6,249**	6,249	6,249
As at the end of the year	**128,470**	122,221	115,972
Carrying amount	**202,731**	208,980	215,229

13.2 Immovable Leased Bearer Biological Assets

In terms of the ruling of the UITF of the institute of chartered Accountants of Sri Lanka prevailed at the time of privatisation of plantation estates, all immovable assets in these estates under finance leases have been taken into the books of the Company retroactive to 18 June 1992. For this purpose , the board decided at its meeting on 8 March, 1995, that these assets be stated at their book values as they appear in the books of the JEDB/SLSPC, on the day immediately preceding the date of formation of the Balangoda Plantations PLC. These assets are taken into the Statement of Financial Position as at 18 June, 1992 and amortisation of immovable leased assets to the end of the financial period are as follows.

	Tea Rs.'000	Rubber Rs.'000	2013 Rs.'000	2012 Rs.'000	2011 Rs.'000
Capitalised Value (18 June 1992)	**206,227**	**64,997**	**271,225**	271,225	271,225
Amortisation					
As at the beginning of the year	**125,928**	**39,310**	**165,239**	156,198	147,157
Amortisation for the year	**6,874**	**2,167**	**9,041**	9,041	9,041
As at the end of the year	**132,802**	**41,477**	**174,280**	165,239	156,198
Carrying amount	**73,425**	**23,520**	**96,945**	105,986	115,027

Notes to the Financial Statements

13 Leasehold Property, Plant & Equipment (contd.)

13.2 Immovable Leased Bearer Biological Assets (contd.)

Investment in Immature Plantations at the time of handing over to the Balangoda Plantations PLC as to 18 June,1992 by way of estate leases were shown under Immature Plantations.

However , since then all such investments in Immature Plantations attributable to JEDB/SLSPC period have been transferred to Mature Plantations. These mature tea and rubber were classified as bearer biological assets in terms of LKAS 41- Agriculture. The carrying value of the bearer biological assets leased from JEDB/SLSPC is recognised at cost less amortisation. Further investments in such plantations to bring them to maturity are shown in Note 14 .1.

13.3 Immovable Lease Assets (Other than Right to Use of Land and Bearer Biological Assets.)

	Unimproved Lease Land Rs.	Improvement to land Rs.	Other Vested Rs.	Buildings Rs.	Machinery Rs.	2013 Rs.	2012 Rs.	2011 Rs.
Capitalised Value								
(18 June, 1992)	899	15,702	152	64,024	26,164	106,941	106,941	106,941
Amortisation								
As at the beginning of the year	332	10,237	152	50,088	26,164	86,974	83,872	80,770
Amotisation for the Year	17	524	-	2,561	-	3,102	3,102	3,102
As at the end of the year	349	10,761	152	52,649	26,164	90,076	86,974	83,872
Carrying Amount	550	4,941	-	11,375	-	16,865	19,967	23,069

14. Biological Assets

As at 31 March,	Notes	GROUP 2013	2012	As at 1 April 2011
Bearer Biological Assets	14.1	1,232,178	1,026,247	869,777
Consumable Biological Assets - Timber Plantation	14.2	1,475,236	1,422,786	1,376,371
		2,707,414	2,449,033	2,246,148

These assets are being amotised in equal annual amounts over the following periods;

Mature plantations/improvements to land	30 Years
Buildings	25 Years
Machinery	15 Years

14.1. Bearer Biological Assets

	Immature Plantation Rs.'000	Mature Plantation Rs.'000	Total 2013 Rs.'000	Total 2012 Rs.'000	Total 2011 Rs.'000
Cost					
Balance at the beginning of the year	607,064	648,527	1,255,592	1,071,675	1,092,523
Addition during the year	233,871	-	233,870	198,483	121,230
Transfer (from)/to	(14,648)	14,648	-	(14,566)	(142,078)
Balance at the end of the year	826,287	663,175	1,489,462	1,255,592	1,071,675

14. Biological Assets (contd)

14.1. Bearer Biological Assets (contd.)

	Immature Plantation Rs.'000	Mature Plantation Rs.'000	Total 2013 Rs.'000	Total 2012 Rs.'000	Total 2011 Rs.'000
Depreciation					
Balance at the beginning of the year	-	229,345	229,345	201,898	175,148
Charge for the year	-	27,939	27,939	27,447	26,750
Balance at the end of the year	-	257,284	257,284	229,345	201,898
Carrying Value	826,287	405,891	1,232,178	1,026,247	869,777

These are investments in immature/ mature plantations since the formation of the Balangoda Plantations PLC. The assets (including plantation assets) taken over by way of estate leases are set out in Notes12. Further investments in immature plantations taken over by way of these leases are shown in the above note. When such plantations become mature,the additional investments since take over to bring them to maturity,will be moved from immature to mature under this note.

The requirement of recognition of bearer biological assets at its fair value less cost to sell under LKAS 41 was superseded by the ruling issued on 2 March 2012 by the Institute of Chartered Accountants of Sri Lanka. Accordingly, the Company has elected to measure the bearer biological assets at cost using LKAS 16 - Property Plant & Equipment.

Specific borrowings have obtained to finance the planting expenditure. The above additions include Rs.4,031,638/= (2011-Rs.7,923,357/=) of borrowing costs capitalised during the year.

14.2. Consumable Biological Assets - Timber Plantation

	Total 2013 Rs. '000	Total 2012 Rs. '000	Total 2011 Rs. '000
Balance at the beginning of the year	1,422,786	1,376,371	142,078
Gain/(loss) arising from changes	-	-	-
in fair value less cost to sell	42,685	31,849	1,234,293
Increase due to development	9,765	14,566	
Decrease due to harvest/transfer	-	-	-
Balance at the end of the year	1,475,236	1,422,786	1,376,371

Managed trees include timber commercial plantations cultivated in estates. The cost of immature trees is treated as approximate fair value particularly on the ground of little biological transformation has taken place and impact of the biological transformation on price is not material. when such plantations become mature, the additional investments since taken over to bring them to maturity are transferred from Immature to Mature.

The fair value of managed trees was ascertained since the LKAS 41 is only applicable for managed agricultural activity in terms of the ruling issued by The Institute of Chartered Accountants of Sri Lanka. The valuation was carried by Messrs Mr K.D Tissera, accredited Chartered valuers,using Discounted Cash Flow (DCF) methods. In ascertaining the fair value of timber a physical verification was carried out covering all the estates.

14. Biological Assets (contd)
14.2. Consumable Biological Assets - Timber Plantation (contd.)

Key assumption used in Valuation

1. The harvesting is approved by the PMMD and forestry Department Based on the Forestry Department Plan.
2. The Prices adopted are net of expenditure.
3. Discount rate is 13%
4. Though the replanting is a condition precedent for harvesting , yet the costs are not taken into consideration.

The valuations, as presented in the external valuation models based on net present values, take into account the long term exploitation of the timber plantations. Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to volatility of the variables,their carrying value may differ from their realisable value. The Board of Directors retains their view that commodity markets are inherently volatile and that long term price projections are highly unpredictable. Hence, the sensitivity analysis regarding selling price and discount rate variations as included in this note allows every investor to reasonably challenge the financial impact of the assumptions used in the LKAS 41 against his own assumptions.

Sensitivity Analysis

Sensitivity variation sales price

Values as appearing in the statement of financial position are very sensitive to price changes with regard to the average sales prices applied. Simulations made for timber show that a rise or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

	-10%	2012	+10%
Managed Timber	1,328,861	1,475,236	1,622,760
Total	1,328,861	1,475,236	1,622,760

Sensitivity variation discount rate

Values as appearing in the statement of financial position are very sensitive to changes of the discount rate applied. Simulations made for timber trees show that a rise or decrease by 1% of the discount rate has the following effect on the net present value of biological assets.

	12%	13%	14%
Managed Timber	1,541,184	1,475,236	1,419,345
Total	1,541,184	1,475,236	1,419,345

15 Intangible Assets

As at 31 March,	Notes	GROUP 2013 Rs.'000	GROUP 2012 Rs.'000	GROUP As at 1 April 2011 Rs.'000	COMPANY 2013 Rs.'000	COMPANY 2012 Rs.'000	COMPANY As at 1 April 2011 Rs.'000
License Fees	15.1	353,225	215,895	79,248	-	-	-
FLAG Cable	15.2	1,927,268	2,113,785	2,300,302	-	-	-
Software Cost & Implementation	15.3	35,813	33,647	25,866	17,277	16,061	16,061
Total		2,316,306	2,363,327	2,405,416	17,277	16,061	16,061

15.1 License Fees

	GROUP 2013 Rs.'000	GROUP 2012 Rs.'000	GROUP 2011 Rs.'000
Balance at the beginning of the year	215,895	79,248	95,662
Addition during the year	153,780	153,061	-
Amortised during the year	(16,450)	(16,414)	(16,414)
Balance at the end of the year	353,225	215,895	79,248

15. Intangible Assets (contd.)
15.1 License Fees (contd.)

License fee represents the operator license fee of Rs.300 Mn which was paid in 1996 by Lanka Bell Limited and amortised over 226 months on straight line basis commencing from that year. The External Gateway License fee of Rs. 4.85 Mn which was paid in 2003 is amortised over a period of 10 years, commencing from 01 March 2003. Wi Max 2365 - 2380 MHz Licence fee of Rs 306.12 Mn was paid in 2011/12 and 2012/13 and operation are to commence from 1 July 2013.

15.2 Flag Cable

		GROUP	
	2013 Rs.'000	2012 Rs.'000	2011 Rs.'000
Cost			
Balance at the beginning of the year	**2,797,761**	2,797,761	2,797,761
Additions during the year	**-**	-	-
Balance at the end of the year	**2,797,761**	2,797,761	2,797,761
Accumulated Amortisation			
Balance at the beginning of the year	**683,976**	497,459	310,942
Amortised during the year	**186,517**	186,517	186,517
Balance at the end of the year	**870,493**	683,976	497,459
Net book value	**1,927,268**	2,113,785	2,300,302

FLAG expenditure represents the expenditure incurred on under sea fiber optic cable link and the landing station. The total expenditure will be amortised over the license period of 15 years based on straight line basis from August 2008.

15.3 Software Cost & Implementation

		GROUP			COMPANY	
	2013 Rs.'000	2012 Rs.'000	2011 Rs.'000	2013 Rs.'000	2012 Rs.'000	2011 Rs.'000
Cost						
Balance at the beginning of the year	**9,960**	8,912	12,623			
Additions during the year	**18,693**	1,048	7,893			
Disposal during the year	**-**	-	(11,604)			
Balance at the end of the year	**28,653**	9,960	8,912			
Accumulated Amortisation						
Balance at the beginning of the year	**5,895**	2,790	10,348			
Amortised during the year	**4,222**	3,105	2,631			
Disposal during the year	**-**	-	(10,189)			
Balance at the end of the year	**10,117**	5,895	2,790			
Capital Work-in-Progress	**17,277**	29,582	19,744	**17,277**	16,061	16,061
Net book value	**35,813**	33,647	25,866	**17,277**	16,061	16,061
Capital Work-in-Progress						
Balance at the beginning of the year	**29,582**	19,744	3,683	**16,061**	16,061	-
Incurred during the year	**1,216**	10,944	16,061	**1,216**	-	16,061
Capitalised during the year	**(13,521)**	(1,106)	-	**-**	-	-
Balance at the end of the year	**17,277**	29,582	19,744	**17,277**	16,061	16,061

16 Investments in Subsidiaries

Company	% Holding			No.of Shares			Market Value			Company		
Investee												
As at 31 March,	2013	2012	1 April 2011	2013	2012	1 April 2011	2013	2012	1 April 2011	2013	2012	1 April 2011
							Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Quoted Investments												
Balangoda Plantations PLC (Note 16.1)	-	43	43	-	10,200,000	10,200,000	-	253,980	572,220	-	430,007	430,007
Browns Beach Hotels PLC (Note 16.1)	-	42	42	-	54,065,132	53,192,632	-	789,351	1,220,970	-	1,239,116	1,220,970
Total Quoted Investments							-	1,043,331	1,793,190	-	1,669,123	1,650,977
Unquoted Investments												
Melstacorp Ltd	100	100	100	200,000,000	200,000,000	2,600,000				35,558,000	35,558,000	940,450
Timpex (Pvt) Ltd	51	51	51	15,611,661	15,611,661	15,611,661				156,117	156,117	156,117
Milford Holdings (Pvt) Ltd	-	-	98	-	-	333,067,925				-	-	3,330,679
AION SG Residencies (Pvt) Ltd*	100	100	100	2,500,000	2,500,000	2,500,000				25,000	25,000	25,000
Periceyl (Pvt) Ltd	-	-	100	-	-	40,000				-	-	113,700
Melsta Logistics (Pvt) Ltd	-	-	100	-	-	41,000,002				-	-	410,000
Bogo Power (Pvt) Ltd	-	-	100	-	-	245,000,000				-	-	245,000
Continental Insurance Lanka Ltd	-	-	100	-	-	50,000,000				-	-	500,000
Total Unquoted Investments at cost										35,739,117	35,739,117	5,720,946
Provision for impairment of Investment*										(25,000)	(25,000)	(25,000)
Total Unquoted Investments at carrying value										35,714,117	35,714,117	5,695,946
Total Investment in Subsidiaries										35,714,117	37,383,240	7,346,923

*The provision is in respect of the full investment in AION SG Residencies (Pvt) Ltd.

16.1 As part of the Group's restructuring plan Company structured its investments to Melstacorp Limited.

17. Investments in Equity Accounted Investees

	GROUP			COMPANY		
			As at			As at
As at 31 March,	2013	2012	1 April 2011	2013	2012	1 April 2011
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Aitken Spence PLC *	13,732,051	13,648,241	8,181,618	28,703	8,168,094	8,174,432
Madulsima Plantations PLC *	90,000	90,000	90,000	-	90,000	90,000
Splendor Media (Pvt) Ltd	-	-	7,875	-	-	7,875
Pelwatte Dairy Industries Ltd	100,000	100,000	100,000	-	-	-
Balance at cost	13,922,051	13,838,241	8,379,493	28,703	8,258,094	8,272,307
Negative Goodwill on Acquisition	89,186	89,186	89,186	-	-	-
Group Share of Equity Accounted Investees Retained Profits	6,903,748	5,728,289	3,735,339	-	-	-
Group Investment in Equity Accounted Investees	20,914,985	19,655,716	12,204,018	28,703	8,258,094	8,272,307

* As a part of the Group's restructuring plan, the Company structured its investments to Melstacorp Limited.

17.1 Share of Profits of Equity Accounted Investees

(Net of Income Tax)	GROUP			
For the year ended 31 March,	2013		2012	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
	Profit	OCI	Profit	OCI
Aitken Spence PLC	1,302,291	105,120	1,382,165	449,562
Madulsima Plantations PLC	(10,542)	4,076	(3,457)	28,806
Pelwatte Dairy Industries Ltd	-	-	(13,716)	-
	1,291,749	109,196	1,364,992	478,368

17 Investments in Equity Accounted Investees (contd.)

17.2 Summaries Financial Information for Equity Accounted Investees, not adjusted for the percentage ownership held by the Group;

17.2.1 Assets and Liabilities

	Reporting Date	Ownership	Current Assets	Non Current Assets	Total Assets	Current Liabilities	Non Current Liabilities	Total Liabilities
		%	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
2011								
Splendor Media (Pvt) Ltd	31 March	50.00%	116,017	2,078	118,094	75,184	457	75,640
Aitken Spence PLC	31 March	39.86%	13,295,639	26,088,661	39,384,300	9,179,804	4,735,286	13,915,090
Madulsima Plantations PLC	31 December	31.20%	421,323	2,953,928	3,375,251	806,992	835,057	1,642,049
Pelwatte Dairy Industries Ltd	31 March	23.51%	10,413	915,098	925,511	446,568	410,933	857,501
			13,843,392	29,959,765	43,803,156	10,508,548	5,981,733	16,490,280
2012								
Aitken Spence PLC	31 March	39.63%	18,658,411	32,326,596	50,985,007	14,558,490	6,563,195	21,121,685
Madulsima Plantations PLC	31 December	31.03%	309,186	3,473,091	3,782,277	1,119,976	847,399	1,967,375
Pelwatte Dairy Industries Ltd	31 March	24.38%	39,241	912,712	951,953	273,931	666,278	940,209
			19,006,838	36,712,399	55,719,237	15,952,397	8,076,872	24,029,269
2013								
Aitken Spence PLC	**31 March**	**39.63%**	**22,408,357**	**33,742,653**	**56,151,010**	**15,450,825**	**7,197,484**	**22,648,309**
Madulsima Plantations PLC	**31 December**	**31.03%**	**417,643**	**3,653,715**	**4,071,358**	**1,424,427**	**852,755**	**2,277,182**
Pelwatte Dairy Industries Ltd	**31 March**	**24.38%**	**39,241**	**912,712**	**951,953**	**273,931**	**666,278**	**940,209**
			22,865,241	**38,309,080**	**61,174,321**	**17,149,183**	**8,716,517**	**25,865,700**

17.2.2 Revenue, Expenses & Profit

For the year ended 31 March,	Revenue		Expenses		Profit	
	2013	2012	2013	2012	2013	2012
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Aitken Spence PLC	**38,094,823**	32,665,048	**33,840,737**	28,227,784	**4,254,086**	4,437,264
Madulsima Plantations PLC	**1,908,077**	2,024,764	**1,941,865**	2,035,899	**(33,788)**	(11,135)
Pelwatte Dairy Industries Ltd	-	37,114	-	93,381	-	(56,267)

17.3 Investment In Subsidiaries and Equity Accounted Investees

Names of the Subsidiary/Associate	Principal Activity	Company Holding %	Group Holding %	Financial Year End
Subsidiaries				
Balangoda Plantations PLC * (d)	Cultivation and processing of Tea & Rubber	-	43.23	31-Dec
Melstacorp Ltd	Investment Holding Company	100.00	100.00	31-Mar
Timpex (Pvt) Ltd	Investment Holding Company	51.03	51.03	31-Mar
Texpro Industries Ltd*(a)	Dyeing and Printing Woven Fabrics	-	41.75	31-Mar
Periceyl (Pvt) Ltd. * (d)	Distribution of locally manufactured Foreign Liquor	-	100.00	31-Dec
Milford Holdings (Pvt) Ltd * (d)	Investment Holding Company	-	98.36	31-Mar
Lanka Bell Ltd.*(b)	Telecommunication Services	-	98.09	31-Mar
Melsta Logistic (Pvt) Ltd* (d)	Automobile Servicing and Logistics	-	100.00	31-Mar
BellVantage (Pvt) Ltd.* (d)	BPO,KPO & Software Development	-	100.00	31-Mar
Bell Solutions (Pvt) Ltd.* (c)	Information & Communication Technology	-	98.09	31-Mar
Telecom Frontier (Pvt) Ltd.* (c)	Telecommunication Services	-	98.09	31-Mar
Bogo Power (Pvt) Ltd.* (d)	Generation and sale of Hydro Electric Energy	-	99.30	31-Mar
Continental Insurance Lanka Ltd *(d)	General Insurance Services	-	100.00	31-Dec
Browns Beach Hotel PLC * (d)	Leisure	-	41.88	31-Mar
Pelwatte Sugar Industries PLC * (d)	Cultivating of Sugar Cane, Manufacturing of Sugar and Molasses	-	48.75	31-Mar
Pelwatte Sugar Distilleries (Pvt) Ltd * (e)	Manufacturing and Selling Spirits	-	40.63	31-Mar
Splendor Media (Pvt) Ltd * (d)	Media Buying & Creative Services	-	50.00	31-Mar
Pelwatte Agriculture & Engineering Services (Pvt) Ltd *(e)	Land Preparation, Repairing Vehicles and Machineries.	-	48.75	31-Mar
Melsta Regal Finance Ltd * (d)	Finance, Leasing, Hire Purchasing and Factoring	-	100.00	31-Mar
Negombo Beach Resorts (Pvt) Ltd * (f)	Leisure	-	41.88	31-Mar
Melsta Properties (Pvt) Ltd * (d)	Management of Real Estate	-	100.00	31-Mar
Equity Accounted Investees				
Aitken Spence PLC * (d)	Diversified	-	39.86	31-Mar
Madulsima Plantations PLC * (d)	Cultivation and Processing of Tea	-	31.20	31-Dec
Pelwatte Dairy Industries Ltd * (e)	Producing and selling Milk and Milk based Products	-	24.38	31-Mar

* Indirect holding through subsidiaries
(a) Timpex (Pvt) Ltd.
(b) Milford Holdings (Pvt) Ltd.
(c) Lanka Bell Ltd.
(d) Melstacorp Ltd.
(e) Pelwatte Sugar Industries PLC.
(f) Browns Beach Hotels PLC.

18 Other Investments

As at 31 March,	Notes	GROUP 2013 Rs.'000	GROUP 2012 Rs.'000	GROUP As at 1 April 2011 Rs.'000	COMPANY 2013 Rs.'000	COMPANY 2012 Rs.'000	COMPANY As at 1 April 2011 Rs.'000
Non Current							
Investments designated as							
Available for Sale Financial Assets (AFS)	18.1	**14,512,561**	12,224,623	7,368,162	**5,897,294**	5,873,952	7,327,012
Long Term Investments		**14,512,561**	12,224,623	7,368,162	**5,897,294**	5,873,952	7,327,012
Current							
Investments designated as							
Fair Value Through Profit or Loss (FVTPL)	18.2	**1,668,328**	1,281,105	619,770	**684,758**	575,544	387,151
Held to Maturity (HTM)	18.3	**100,148**	10,724	53,742	**-**	-	-
Loans & Receivable (L & R)	18.4	**-**	23,998	-	**-**	-	-
Short Term Investments		**1,768,476**	1,315,827	673,512	**684,758**	575,544	387,151

18.1 Investments designated as Available for Sale Financial Assets

Investments in Equity Securities - Quoted	18.1.1	**14,468,404**	12,180,466	7,324,005	**5,894,287**	5,870,945	7,324,005
Investments in Equity Securities - Un Quoted	18.1.2	**30,007**	30,007	30,007	**7**	7	7
Investments in Unit Trust	18.1.3	**3,000**	3,000	3,000	**3,000**	3,000	3,000
Other long Term Investments	18.1.4	**11,150**	11,150	11,150	**-**	-	-
		14,512,561	12,224,623	7,368,162	**5,897,294**	5,873,952	7,327,012

18.1.1 Investments in Equity Securities - Quoted

As at 31 March,	GROUP 2013 No: of Shares	GROUP 2013 Value Rs.'000	GROUP 2012 No: of Shares	GROUP 2012 Value Rs.'000	GROUP As at 1 April 2011 No: of Shares	GROUP As at 1 April 2011 Value Rs.'000
Diversified Investments						
John Keells Holdings PLC	**7,837,204**	**7,789,692**	3,451,679	6,441,657	76,000	21,706
		7,789,692		6,441,657		21,706
Bank, Finance & Insurance						
Commercial Bank Ceylon PLC	**18,697,963**	**2,112,870**	16,855,368	1,685,537	7,811,360	2,076,259
Commercial Bank Ceylon PLC - Non Voting	**49,981**	**4,843**	129,930	10,394	60,000	9,936
DFCC Bank PLC	**17,042,856**	**2,234,318**	17,042,856	1,919,026	17,042,856	2,927,963
Hatton National Bank PLC	**10,016,272**	**1,675,722**	9,836,818	1,505,033	6,961,708	2,265,449
Hatton National Bank PLC - Non Voting	**52,874**	**6,969**	159,488	15,072	106,384	22,692
		6,034,722		5,135,062		7,302,299
Beverage, Food and Tobacco						
Lanka Milk Foods (CWE) PLC	**5,946 ,351**	**643,990**	5,860,661	573,173	-	-
		643,990		573,173		-
Manufacturing						
Textured Jersey Lanka PLC	**-**	**-**	4,246,400	30,574	-	-
		-		30,574		-
Total Investments in Equity Securities - Quoted		**14,468,404**		12,180,466		7,324,005

18.1.2 Investments in Equity Securities - Un Quoted

W.M.Medis & Co.,Ltd	**200**	**4**	200	4	200	4
International Distilleries Lanka Ltd	**100**	**3**	100	3	100	3
Northern Green Agro (Pvt) Ltd	**1**	**15,000**	1	15,000	1	15,000
Southern Green Agro (Pvt) Ltd	**1**	**15,000**	1	15,000	1	15,000
Total Investments in Equity Securities - Un Quoted		**30,007**		30,007		30,007

18 Other Investments (contd.)

18.1 Investments designated as Available for Sale Financial Assets (contd.)

18.1.3 Investments in Unit Trust

	GROUP					
	2013		2012		As at 1 April 2011	
As at 31 March,	No: of Units	Value Rs.'000	No: of Units	Value Rs.'000	No: of Units	Value Rs.'000
Unit Trust Mgt Co.,Ltd.	300,000	3,000	300,000	3,000	300,000	3,000
Total of Investment in Unit Trust		3,000		3,000		3,000

	GROUP					
As at 31 March,	2013		2012		As at 1 April 2011	
	No: of Shares	Value Rs.'000	No: of Shares	Value Rs.'000	No: of Shares	Value Rs.'000
18.1.4 Other Long Term Investments						
Bank, Finance & Insurance						
Bank of Ceylon	-	10,000	-	10,000	-	10,000
Hatton National Bank PLC	-	1,000	-	1,000	-	1,000
National Development Bank PLC	-	150	-	150	-	150
Total of Other Long Term Investment	-	11,150	-	11,150	-	11,150

18.1 Investments designated as Available for Sale Financial Assets

18.1.1 Investments in Equity Securities - Quoted

	COMPANY					
As at 31 March,	2013		2012		As at 1 April 2011	
	No: of Shares	Value Rs.'000	No: of Shares	Value Rs.'000	No: of Shares	Value Rs.'000
Diversified Investments						
John Keells Holdings PLC	37,333	9,221	3,423,833	705,310	76,000	21,706
		9,221		705,310		21,706
Bank, Finance & Insurance						
Commercial Bank Ceylon PLC	17,373,575	1,963,214	16,855,368	1,685,537	7,811,360	2,076,259
Commercial Bank Ceylon PLC - Non Voting	49,981	4,843	129,930	10,394	60,000	9,936
DFCC Bank PLC	17,042,856	2,234,318	17,042,856	1,919,026	17,042,856	2,927,963
Hatton National Bank PLC	10,016,272	1,675,722	9,836,818	1,505,032	6,961,708	2,265,449
Hatton National Bank PLC - Non Voting	52,873	6,969	159,488	15,072	106,384	22,692
		5,885,066		5,135,061		7,302,299
Manufacturing						
Textured Jersey Lanka PLC	-	-	4,246,400	30,574	-	-
		-		30,574		-
Total Investments in Equity Securities - Quoted		5,894,287		5,870,945		7,324,005

18 Other Investments (contd.)

18.1 Investments designated as Available for Sale Financial Assets (contd.)

18.1.2 Investments in Equity Securities - Un Quoted

	COMPANY					
As at 31 March,	2013		2012		As at 1 April 2011	
	No of Shares	Market Value Rs.'000	No of Shares	Market Value Rs.'000	No of Shares	Market Value Rs.'000
W.M.Mendis & Co.,Ltd	200	4	200	4	200	4
International Distilleries Lanka Ltd	100	3	100	3	100	3
Total Investments in Equity Securities - Un Quoted		7		7		7

18.1.3 Investments in Unit Trust

	COMPANY					
As at 31 March,	2013		2012		As at 1 April 2011	
	No of Units	Market Value Rs.'000	No of Units	Market Value Rs.'000	No of Units	Market Value Rs.'000
Unit Trust Mgt Co.,Ltd.	300,000	3,000	300,000	3,000	300,000	3,000
Total of Investments in Unit Trust		3,000		3,000		3,000

18.2 Investments designated as Fair Value Through Profit or Loss

		GROUP			COMPANY		
As at 31 March,	Notes	2013 Rs.'000	2012 Rs.'000	As at 1 April 2011 Rs.'000	2013 Rs.'000	2012 Rs.'000	As at 1 April 2011 Rs.'000
Investments in Equity Securities - Quoted	18.2.1	1,526,614	1,281,105	619,770	684,758	575,544	387,151
Investments in Unit Trust	18.2.2	141,714	-	-	-	-	-
		1,668,328	1,281,105	619,770	684,758	575,544	387,151

18.2.1 Investments in Equity Securities - Quoted

	GROUP					
As at 31 March,	2013		2012		As at 1 April 2011	
	No of Shares	Market Value Rs.'000	No of Shares	Market Value Rs.'000	No of Shares	Market Value Rs.'000
Bank, Finance & Insurance						
Asia Capital PLC	-	-	-	-	50	4
Union Bank PLC	306,400	3,114	307,400	3,132	306,600	3,236
Lanka Orix Leasing Company PLC	-	-	-	-	15,000	1,794
Central Finance PLC	131,750	23,275	254,716	48,317	49,300	49,775
LB Finance PLC	-	-	9,600	1,331	34,800	6,510
Peoples Leasing PLC	28,439,700	372,788	28,439,700	339,874	-	-
Nation Trust Bank PLC	133,000	7,963	-	-	-	-
Ceylinco Insurance PLC - Voting	-	-	1,009	774	-	-
Ceylinco Insurance PLC - Non Voting	16,861	5,532	5,000	1,530	-	-
Sampath Bank PLC	49,305	10,804	92,866	17,050	149,424	42,467

18 Other Investments (contd.)

18.2 Investments designated as Fair Value Through Profit or Loss (contd.)

18.2.1 Investments in Equity Securities - Quoted (contd.)

GROUP						
As at 31 March,	2013		2012		As at 1 April 2011	
	No of Shares	Market Value Rs.'000	No of Shares	Market Value Rs.'000	No of Shares	Market Value Rs.'000
Bank, Finance & Insurance (contd.)						
Commercial Bank of Ceylon PLC	29,260	3,014	186,566	14,515	87,000	15,269
Commercial Bank of Ceylon PLC - Non Voting	14,979	1,365	68,430	5,098	31,800	5,152
DFCC Bank PLC	-	-	-	-	-	-
Hatton National Bank PLC	-	-	-	-	-	-
Hatton National Bank PLC - Non-Voting	23,775	2,675	62,100	5,167	41,400	8,884
Merchant Bank of Sri Lanka PLC	-	-	-	-	-	-
Vallible One PLC	124,200	2,118	124,200	2,658	-	-
		432,648		439,446		133,091

18.2.1 Investments in Equity Securities - Quoted (contd.)

Beverages, Foods and Tobacco						
Ceylon Tobacco PLC	20,600	16,428	53,600	27,190	355,500	46,557
Cargills (Ceylon) PLC	49,900	7,492	86,900	15,765	88,900	19,566
Bairaha Farms PLC	28,648	4,352	-	-	-	-
Keels Foods Product PLC	87,302	6,230	-	-	-	-
Ceylon Cold Stores PLC	71,970	9,553	4,444	400	-	-
Renuka Agri Foods PLC	5,368,560	22,431	3,120,400	19,122	-	-
The Lion Brewery PLC	136,723	40,652	146,500	28,467	40,000	7,851
Lanka Milk Foods (CWE) PLC	763,733	82,712	763,733	74,693	763,733	89,280
		189,850		165,637		163,254
Hotel and Travels						
Hotel Services PLC	1,323,600	20,345	1,323,600	25,076	1,323,600	32,620
Aitken Spence Hotel Holdings PLC	84,400	6,225	100,900	7,046	137,900	13,719
Asian Hotels & Properties PLC	-	-	-	-	49,500	9,377
Serandib Hotels PLC	220,000	5,202				
John Keels Hotels PLC	528,850	7,065	409,500	5,250	399,500	7,151
		38,837		37,372		62,867
Manufacturing						
ACL Cables PLC	299,000	19,894	299,000	20,576	299,000	26,655
Royal Ceramics Lanka PLC	65,200	6,478	58,700	7,191	58,300	15,480
Tokyo Cement PLC	491,000	9,217	473,000	13,695	-	-
Piramal Glass Ceylon PLC	-	-	-	-	135,000	1,499
Chevron Lubricants Lanka PLC	39,000	8,373	310,000	56,389	-	-
Lanka Floortiles PLC	123,208	8,412	-	-	125,000	16,788
Bukit Darah PLC	72,200	50,937	72,200	61,933	2,700	3,168
Lanka Walltile PLC	-	-	-	-	40,800	6,936
ACME Printing & Packaging PLC	-	-	63	1	519,353	5,660
Textured Jersey Lanka PLC	16,206,028	172,003	11,859,900	96,142	-	-
Renuka Agri Foods PLC	16,143,435	13,160	2,000,000	13,600	-	-
		288,474		269,527		76,186

Notes to the Financial Statements

18 Other Investments (contd.)
18.2 Investments designated as Fair Value Through Profit or Loss (contd.)
18.2.1 Investments in Equity Securities - Quoted (contd.)

	GROUP					
As at 31 March,	2013		2012		As at 1 April 2011	
	No of Shares	Value Rs.'000	No of Shares	Value Rs.'000	No of Shares	Value Rs.'000
Telecommunication						
Sri Lanka Telecom PLC	-	-	-	-	58,800	3,234
Dialog Axiata PLC	2,155,600	19,168	805,600	5,861	805,600	8,721
		19,168		5,861		11,955
Automobile						
Diesel & Motor Engineering PLC	-	-	3,900	4,182	-	-
United Motors PLC	-	-	26,500	3,109	15,000	2,283
		-		7,291		2,283
Land & Property						
Overseas Reality PLC	-	-	250,000	3,388	250,000	3,769
		-		3,388		3,769
Power & Energy						
Vallibel Power Erathna PLC	1,358,425	7,927	174,404	1,151	-	-
Hemas Power PLC	-	-	-	-	260,000	8,899
Laugfs Gas PLC	-	-	-	-	44,300	1,518
		7,927		1,151		10,417
Construction & Engineering						
Access Engineering PLC	488,497	9,372	-	-	-	-
Colombo Dockyard PLC	30,662	6,653	27,053	6,266	-	-
		16,025		6,266		-
Diversified Investments						
Hayleys PLC	-	-	-	-	18,000	6,711
John Keells Holdings PLC	19,400	4,266	26,400	4,493	25,300	7,550
CT Holding PLC	1,480,500	186,828	1,692,600	257,746	199,600	38,014
Softlogic Holdings PLC	830,000	8,706	419,100	4,960	-	-
Softlogic Capital PLC	40,000,000	224,000	-	-	-	-
Free Lanka Capital Holdings PLC	2,850,850	7,127	2,879,650	5,774	-	-
Hemas Holdings PLC	-	-	-	-	63,500	2,869
Expo Lanka Holdings PLC	892,000	6,114	139,600	1,256	-	-
Carson Cumberbatch PLC	29,400	12,936	25,700	12,202	9,900	6,285
Renuka Holdings PLC	135	4,868	134,858	7,269	-	-
		454,845		293,700		61,429
Hospitals						
Asiri Hospitals Holdings PLC	4,782,370	54,379	4,817,070	36,994	3,432,370	28,832
Lanka Hospitals Corporation PLC	-	-	-	-	227,800	10,205
Ceylon Hospitals PLC	-	-	90,000	5,670	90,000	7,461
Ceylon Hospitals PLC - Non Voting	140,120	10,199	140,120	8,067	150,120	12,164
		64,578		50,731		58,662

18 Other Investments (contd.)
18.2 Investments designated as Fair Value Through Profit or Loss (contd.)
18.2.1 Investments in Equity Securities - Quoted (contd.)

	GROUP					
As at 31 March,	2013		2012		As at 1 April 2011	
	No of shares	Value Rs.'000	No of units	Value Rs.'000	No of units	Value Rs.'000
Plantations						
Kegalle Plantation PLC	55,000	6,160	7,000	735	150,800	26,684
		6,160		735		26,684
Chemicals and Pharmaceuticals						
Heycarb PLC	46,455	8,102	-	-	-	-
Chemanex PLC	-	-	-	-	75,000	9,173
		8,102		-		9,173
Total Investments in Equity Securities - Quoted		1,526,614		1,281,105		619,770

18.2.2 Investments in Unit Trusts

	No of Units					
Namal High Yield Fund	3,178,987	35,819	-	-	-	-
JB Vantage Money Market Fund	3,031,222	35,405	-	-	-	-
Eagle Income Fund	3,286,385	35,329	-	-	-	-
Ceybank Savings Plus Money Market Fund	3,228,782	35,161	-	-	-	-
Total Investments in Unit Trusts		141,714		-		-

18.2 Investments designated as Fair Value Through Profit or Loss
18.2.1 Investments in Equity Securities - Quoted

	COMPANY					
As at 31 March,	2013		2012		As at 1 April 2011	
	No of Shares	Value Rs.'000	No of Shares	Value Rs.'000	No of Shares	Value Rs.'000
Bank, Finance & Insurance						
Asia Capital PLC	-	-	-	-	50	4
Union Bank PLC	6,000	102	6,600	116	6,600	236
Lanka Orix Leasing Company PLC	-	-	-	-	15,000	1,794
Central Finance PLC	106,950	19,250	106,950	18,321	20,700	26,366
LB Finance PLC	-	-	-	-	30,000	5,253
Peoples Leasing PLC	24,517,300	321,177	24,517,300	284,401	-	-
Nation Trust Bank PLC	103,000	6,283	-	-	-	-
Ceylinco Insurance PLC	-	-	309	251	-	-
Ceylinco Insurance PLC - Non Voting	12,490	4,087	4,800	1,461	-	-
Sampath Bank PLC	37,658	8,469	69,703	12,531	112,120	32,324
		359,368		317,081		65,977
Beverages, Foods and Tobacco						
Lanka Milk Foods (CWE) PLC	763,733	82,712	763,733	74,693	763,733	89,280
Ceylon Tobacco PLC	13,600	10,618	36,800	18,956	76,500	27,387
Cargills (Ceylon) PLC	36,700	5,571	64,700	11,258	66,700	15,228
Bairaha Farms PLC	20,348	3,046	-	-	-	-
Keells Foods Products PLC	64,854	4,546	-	-	-	-
Ceylon Cold Stores PLC	51,083	6,942	4,444	400	-	-
Renuka Agri Foods PLC	4,668,560	19,141	2,620,400	15,722	-	-
The Lion Brewery PLC	59,322	19,754	66,500	13,267	30,000	6,000
		152,330		134,296		137,895

Notes to the Financial Statements

18 Other Investments (contd.)
18.2 Investments designated as Fair Value Through Profit or Loss (contd.)
18.2.1 Investments in Equity Securities - Quoted (contd.)

	COMPANY					
As at 31 March,	2013		2012		As at 1 April 2011	
	No of Shares	Value	No of Shares	Value	No of Shares	Value
		Rs.'000		Rs.'000		Rs.'000
Hotel and Travels						
Hotel Services PLC	**618,600**	**8,289**	618,600	10,764	618,600	14,290
Aitken Spence Hotel Holdings PLC	**61,300**	**4,536**	67,300	4,710	111,300	10,907
Asian Hotels & Properties PLC	**-**	**-**	-	-	37,000	6,952
Serandib Hotels PLC	**160,000**	**3,792**	-	-	-	-
John Keels Hotels PLC	**388,850**	**5,133**	309,500	3,900	299,500	5,151
		21,750		19,374		37,300
Manufacturing						
ACL Cables PLC	**136,000**	**8,908**	136,000	8,514	136,000	12,784
Royal Ceramics Lanka PLC	**47,100**	**4,686**	42,100	4,842	50,000	7,850
Tokyo Cement PLC - Non Voting	**144,000**	**2,520**	209,000	5,642	-	-
Piramal Glass Ceylon PLC	**-**	**-**	-	-	135,000	1,499
Caltex Lubricants Lanka PLC	**33,000**	**7,161**	-	-	-	-
Lanka Floortiles PLC	**89,815**	**6,242**	-	-	-	-
Bukit Darah PLC	**-**	**-**	-	-	2,700	3,168
Lanka Walltile PLC	**-**	**-**	-	-	40,800	6,936
ACME Printing & Packaging PLC	**-**	**-**	-	-	181,063	3,857
		29,517		18,998		36,094
Telecommunication						
Sri Lanka Telecom PLC			-	-	44,100	2,514
Dialog Axiata PLC	**1,824,200**	**16,418**	604,200	4,290	604,200	6,344
		16,418		4,290		8,858
Automobile						
Diesel & Motor Engineering PLC	**-**	**-**	2,800	2,750	-	-
United Motors PLC	**-**	**-**	20,000	2,160	15,000	2,283
		-		4,910		2,283
Land & Property	**-**	**-**	-	-	-	-
Overseas Reality PLC	**-**	**-**	187,500	2,513	187,500	2,813
		-		2,513		2,813
Power & Energy						
Vallibel Power PLC	**1,003,024**	**5,617**	174,404	1,151	-	-
Hemas Power PLC	**-**	**-**	-	-	195,000	6,981
Laugfs Gas PLC	**-**	**-**	-	-	20,000	888
		5,617		1,151		7,869
Construction & Engineering						
Access Engineering PLC	**340,797**	**6,714**				
Colombo Dockyard PLC	**21,812**	**4,670**	22,053	5,072	-	-
		11,384		5,072		-

18 Other Investments (contd.)
18.2 Investments designated as Fair Value Through Profit or Loss (contd.)
18.2.1 Investments in Equity Securities - Quoted (contd.)

	COMPANY					
As at 31 March,	2013		2012		As at 1 April 2011	
	No of Shares	Value Rs.'000	No of Shares	Value Rs.'000	No of Shares	Value Rs.'000
Diversified Investments						
Hayleys PLC	-	-	-	-	13,500	5,158
John Keells Holdings PLC	-	-	-	-	-	-
CT Holding PLC	-	-	99,400	14,920	89,400	17,880
Softlogic Holdings PLC	680,000	7,072	380,000	4,256	-	-
Free Lanka Capital Holdings PLC	2,850,850	7,127	2,866,450	5,733	-	-
Hemas Holdings PLC	-	-	-	-	28,500	1,311
Expo Lanka Holdings PLC	652,000	4,434	-	-	-	-
Carson Cumberbatch PLC	-	-	8,000	3,720	9,900	6,285
		18,633		28,629		30,634
Hospitals						
Asiri Hospitals Holdings PLC	4,432,370	50,529	4,432,370	33,686	3,432,370	28,832
Lanka Hospitals Corporation PLC	-	-	-	-	227,800	10,205
Ceylon Hospitals PLC - Non Voting	100,080	7,516	100,080	5,544	100,080	8,016
		58,045		39,230		47,053
Plantations						
Kegalle Plantation PLC	55,000	6,160	-	-	50,000	10,375
		6,160		-		10,375
Chemicals & Pharmaceuticals						
Heycarb PLC	31,455	5,536	-	-	-	-
		5,536		-		-
Investments designated as Fair Value Through Profit or Loss - Quoted		684,758		575,544		387,151

	GROUP		
As at 31 March,	2013 Value Rs.'000	2012 Value Rs.'000	As at 1 April 2011 Value Rs.'000
18.3 Investments designated as Held to Maturity (HTM)			
Commercial Papers	100,148	10,724	53,742
	100,148	10,724	53,742
18.4 Investments designated as Loans and Receivables (L&R)			
Trust Certificates	-	23,998	-
	-	23,998	-

19 Goodwill on Acquisition

	GROUP		
	2013 Rs.'000	2012 Rs.'000	2011 Rs.'000
Cost			
At the beginning of the year	1,568,863	1,222,997	446,431
Acquisition of Subsidiary (Note 19.1)	-	345,866	776,566
At the end of the year	1,568,863	1,568,863	1,222,997
Accumulated Impairment			
At the beginning of the year	190,985	190,985	190,985
Impaired during the year (Note 19.2)	776,566	-	-
At the end of the year	967,551	190,985	190,985
Carrying Amount	601,312	1,377,878	1,032,012

19.1 Goodwill on acquisition represents the excess of purchase price over the net tangible assets acquired, in respect of the acquisition of Melsta Regal Finance Ltd. (2011/12) and Pelwatte Sugar Industries PLC Group (2010/11).

19.2 Goodwill as at the reporting date has been tested for impairment and found no impairment for the carrying value except for the following.

Group has recognised an impairment loss of Rs. 776.5 Mn on the Goodwill which was recognised at the acquisition of Pelwatte Sugar Industries PLC Group.

20 Inventories

	GROUP			COMPANY		
As at 31 March,	2013 Rs. '000	2012 Rs. '000	As at 1 April 2011 Rs. '000	2013 Rs. '000	2012 Rs. '000	As at 1 April 2011 Rs. '000
Raw Materials	4,203,398	3,714,239	1,683,625	1,385,421	975,050	1,051,514
Harvested Crop	708,660	660,161	243,807	-	-	-
Nurseries	15,747	21,725	11,413	-	-	-
Packing & Other Materials	752,514	747,969	2,368,784	687,697	664,648	577,987
Work-in-Progress	284,130	203,616	230,332	145,193	128,679	117,677
Stationery & Miscellaneous	251,582	246,118	32	-	-	-
Finished Goods	563,180	671,072	514,858	290,930	323,242	264,824
Goods in Transit	45,451	54,329	10,835	-	-	-
	6,824,662	6,319,229	5,063,686	2,509,241	2,091,619	2,012,002
Provision for Obsolete Inventories	(684,957)	(534,197)	(498,040)	(5,443)	(5,443)	(5,443)
	6,139,705	5,785,032	4,565,646	2,503,798	2,086,176	2,006,559

21 Trade & Other Receivables

Trade Receivables	3,768,506	3,675,308	3,892,045	2,209,016	1,996,025	1,690,589
Other Receivables	2,631,629	2,514,600	1,661,997	331,180	287,008	295,749
Receivables from Share Trust (Note 21.1)	1,471,493	1,366,971	-	-	-	-
Deposits, Advances and Prepayments	1,414,113	1,716,100	1,221,551	830,433	1,188,206	809,974
Accrued Income	131,018	15,254	6,230	126,246	1,332	-
Loans to Company Officers	17,880	18,929	6,799	-	-	-
Tax Recoverables	217,722	193,199	153,941	-	-	-
	9,652,361	9,500,361	6,942,563	3,496,875	3,472,571	2,796,312
Provision for impairment on Trade and Other Receivables	(1,462,110)	(1,290,560)	(1,002,162)	(130,785)	(130,785)	(130,785)
Total Trade and Other Receivables	8,190,251	8,209,801	5,940,401	3,366,090	3,341,786	2,665,527

21 Trade & Other Receivables (contd).

21.1 Receivable from Melstacorp Share Trust

Melstacorp Limited has acquired 8,650,732 shares of the Company for Rs.1,471.5 Mn in order to form a Share Trust for the benefit of its employees. Melstacorp Limited Share Trust (Trustee) was created effective from 1 April 2011 for the holding of shares. Melstacorp Limited and the trustees will initiate an inter transfer of said shares to be held in the name of the trustees as per the provision in the trust deed ratified by the board on 9 August 2012.

22 Amounts due from Subsidiaries

	GROUP			COMPANY		
As at 31 March,	2013 Rs. '000	2012 Rs. '000	As at 1 April 2011 Rs. '000	2013 Rs. '000	2012 Rs. '000	As at 1 April 2011 Rs. '000
AION SG Residencies (Pvt) Ltd	-	-	-	**9,782**	9,782	9,782
Melsta Logistics (Pvt) Ltd	-	-	-	-	-	8,354
Melstacorp Ltd (Note 22.1)	-	-	-	**2,435,476**	-	-
Melsta Regal Finance Ltd	-	-	-	**27**	330	-
Continental Insurance Lanka Ltd	-	-	-	**1,254**	1,206	648
Lanka Bell Limited (Note 22.2)	-	-	-	**94,299**	120,076	175,678
Pelwatte Sugar Industries PLC	-	-	-	-	633,261	63,085
	-	-	-	**2,540,838**	764,655	257,547
Provision for impairment of Amount due from Subsidiary	-	-	-	**(9,782)**	(9,810)	(9,810)
	-	-	-	**2,531,056**	754,845	247,737

22.1 Melstacorp Limited

The group has structured its holdings in Aitken Spence PLC, Madulsima Plantations PLC, Browns Beach Hotels PLC, Balangoda Plantations PLC, John Keells Holdings PLC and Textured Jersey PLC to Melstacorp Limited at a Value of Rs. 14.3 Bn and Lands and buildings valued at Rs.385Mn to its subsidiaries specialising in property management , through Melstacorp Limited during the year 2012/13. As a result of above transactions the balance receivable from Melstacorp Ltd as at 31 March 2013 stands at Rs. 2.435 Bn.

22.2 This represents the remaining balance of the loan granted of Rs. 200 Mn to Lanka Bell Ltd at the rate of AWPLR plus 1% adjusted on a quarterly basis.

23 Amount due from Associate and Related Companies

As at 31 March,	GROUP 2013 Rs. '000	GROUP 2012 Rs. '000	GROUP 2011 Rs. '000	COMPANY 2013 Rs. '000	COMPANY 2012 Rs. '000	COMPANY 2011 Rs. '000
Ace Power Generation Matara (Pvt) Ltd	3	-	2	-	-	-
Aitken Spence Hotel Holdings PLC	91	-	169	-	-	-
Aitken Spence Hotel Management (Pvt) Ltd	6	477	17	-	-	-
Aitken Spence PLC	2,135	1,480	1,559	-	-	-
Aitken Spence Travels (Pvt) Ltd	-	-	1,463	-	-	-
Ambewela Livestock Co.Ltd	-	-	2	-	-	-
Ambewela Products (Pvt) Ltd	16	-	35	-	-	-
Hatton National Bank PLC	-	-	4,486	-	-	-
Heritance Ahungalla	-	1,081	-	-	-	-
Heritance Kandalama	-	127	-	-	-	-
Lanka Milk Foods (CWE) PLC	5,140	63	2,887	5,078	-	2,886
Lanka Stassens Distributors (Pvt) Ltd	2	-	-	-	-	-
Madulsima Plantations PLC (Note 23.1)	554,449	461,728	53,950	550,996	459,133	52,547
Milford Exports Ceylon (Pvt) Ltd	-	-	1	-	-	-
National Asset Management Company Ltd	-	-	2	-	-	-
Negombo Beach Resorts (Pvt) Ltd	-	-	28,145	-	-	-
Pelwatte Diary Industries Ltd.	187,755	-	-	-	-	-
Melsta Regale Finance Company Ltd	-	-	369	-	-	-
Splendor Media (Pvt) Ltd	-	-	6,728	-	-	-
Adaaran Resorts	-	742	-	-	-	-
Stassen Exports Limited	50	-	22	-	-	-
Stassen Natural Foods (Pvt) Ltd	7	-	6	-	-	-
Lanka Aluminium PLC	-	-	105	-	-	-
Hotel Hilltop	-	1,043	-	-	-	-
Heritance Ayurveda Mahagedara	-	8,919	-	-	-	-
Golden Sun Resorts	-	1,601	-	-	-	-
The Tea Factory Hotel	-	286	-	-	-	-
Spence Evaluation Charitable Trust	-	152	-	-	-	-
	749,654	477,699	99,948	556,074	459,133	55,433

23.1 This Amount represents the balance remaining on a short term loan granted to Madulsima Plantations PLC along with the interest accrued at 16% per annum.

24 Short Term Deposits

As at 31 March,	GROUP 2013 Rs.'000	GROUP 2012 Rs.'000	GROUP As at 1 April 2011 Rs.'000	COMPANY 2013 Rs.'000	COMPANY 2012 Rs.'000	COMPANY As at 1 April 2011 Rs.'000
Call/ Fixed Deposits and Repo	3,824,871	4,157,311	8,730,084	70,410	90,676	5,411,981
	3,824,871	4,157,311	8,730,084	70,410	90,676	5,411,981

25 Cash & Cash Equivalents

Cash at Bank and in Hand	740,381	668,959	601,103	425,002	143,633	174,453
Cash in Transit	277,394	128,377	139,579	270,787	128,377	139,579
	1,017,775	797,336	740,682	695,789	272,010	314,032

26 Stated Capital and Reserves

26.1 Stated Capital

As at 31 March,	GROUP 2013 Rs.'000	GROUP 2012 Rs.'000	GROUP As at 1 April 2011 Rs.'000	COMPANY 2013 Rs.'000	COMPANY 2012 Rs.'000	COMPANY As at 1 April 2011 Rs.'000
300,000,000 Ordinary Shares	**300,000**	300,000	300,000	**300,000**	300,000	300,000

The Holders of ordinary shares are entitled to receive dividend as declared from time to time and are entitled to one vote per share at meetings of the shareholders.

26.2 Reserves

As at 31 March,	Notes	GROUP 2013 Rs.'000	GROUP 2012 Rs.'000	GROUP As at 1 April 2011 Rs.'000	COMPANY 2013 Rs.'000	COMPANY 2012 Rs.'000	COMPANY As at 1 April 2011 Rs.'000
Capital Reserves							
Revaluation Reserve	26.2.1	**5,356,699**	5,200,583	4,827,834	**2,052,242**	2,399,091	2,815,768
Capital Reserve	26.2.2	**112,061**	112,061	112,061	**107,882**	107,882	107,882
Total Capital Reserves		**5,468,760**	5,312,644	4,939,895	**2,160,124**	2,506,973	2,923,650
Revenue Reserves							
General Reserve	26.2.3	**8,210,000**	8,210,000	8,210,000	**8,210,000**	8,210,000	8,210,000
Exchange Fluctuation Reserve	26.2.4	**328,935**	349,306	89,603	**-**	-	-
Timber Reserve	26.2.5	**565,806**	546,340	532,597	**-**	-	-
AFS Reserve	26.2.6	**5,870,033**	3,833,552	6,141,676	**4,364,511**	3,786,011	6,141,729
Total Revenue Reserves		**14,974,774**	12,939,198	14,973,876	**12,574,511**	11,996,011	14,351,729
Total Reserves		**20,443,534**	18,251,842	19,913,771	**14,734,635**	14,502,984	17,275,379

26.2.1 Revaluation Reserve

The Revaluation Reserve comprises of the gain arisen from the revaluation of Property, Plant and Equipment. This reserve is realised upon the derecognition of the revalued Property, Plant and Equipment.

26.2.2 Capital Reserve

Capital reserve comprises profits retained in order to utilise for the capital commitments.

26.2.3 General Reserve

General reserve reflects the amount the Group has reserved over the years from its earnings.

26.2.4 Exchange Fluctuation Reserve

Exchange fluctuation reserve comprises of all foreign exchange differences arising from the translation of foreign subsidiaries in the Group and the portion of exchange gain or loss arising from the translation of the hedge instrument in relation to cash flow hedges.

26.2.5 Timber Reserve

This represents the unrealised gains arising from the fair value of Consumable Biological Assets (Timber Plantations) until the assets are derecognised or impaired.

26.2.6 AFS Reserve

This represents the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

27 Interest bearing Loans & Borrowings

As at 31 March,	Notes	GROUP 2013 Rs.'000	GROUP 2012 Rs.'000	GROUP As at 1 April 2011 Rs.'000	COMPANY 2013 Rs.'000	COMPANY 2012 Rs.'000	COMPANY As at 1 April 2011 Rs.'000
Repayable after one year							
Term Loans	27.1	**501,712**	1,218,055	461,061	**125,006**	895,000	-
Lease Creditors JEDB/SLPC Estates	27.2	**100,504**	102,094	104,715	**-**	-	-
		602,216	1,320,149	565,776	**125,006**	895,000	-
Repayable within one year							
Term Loans	27.1	**1,782,383**	1,752,052	1,012,777	**1,144,996**	1,020,000	-
Finance Lease Obligations JEDB/SLPA Estates	27.2	**1,590**	1,528	7,249	**-**	-	-
Redeemable Preference share	27.3	**12,646**	12,646	12,646	**-**	-	-
Bank & Other Borrowings		**8,756,192**	9,281,988	2,858,519	**7,306,032**	7,826,572	254,578
		10,552,811	11,048,214	3,891,191	**8,451,028**	8,846,572	254,578

27.1 Term Loans

	GROUP Distilleries Company of Sri Lanka PLC Rs.'000	Balangoda Plantations PLC Rs.'000	Pelwatte Sugar Industries PLC Rs.'000	Lanka Bell Limited Rs.'000	Total 2013 Rs.'000	Total 2012 Rs.'000	Total 2011 Rs.'000
Balance at the Beginning of the year							
Payable after one year	**895,000**	**20,160**	**-**	**302,895**	**1,218,055**	461,061	761,997
Payable within one year	**1,020,000**	**30,614**	**152,089**	**549,348**	**1,752,052**	1,012,777	1,409,235
	1,915,000	**50,774**	**152,089**	**852,243**	**2,970,107**	1,473,838	2,171,232
Add: Loans obtained during the year	**500,000**	**-**	**-**	**896,516**	**1,396,516**	2,552,993	507,716
Less: Repayments during the year	**(1,144,998)**	**(30,614)**	**-**	**(906,915)**	**(2,082,528)**	(1,056,724)	(1,205,110)
Balance at the end of the year	**1,270,002**	**20,160**	**152,089**	**841,844**	**2,284,095**	2,970,107	1,473,838
Balance at the End of the Year							
Payable after one year	**125,006**	**6,116**	**-**	**370,590**	**501,712**	1,218,055	461,061
Payable within one year	**1,144,996**	**14,044**	**152,089**	**471,254**	**1,782,383**	1,752,052	1,012,777
	1,270,002	**20,160**	**152,089**	**841,844**	**2,284,095**	2,970,107	1,473,838

27 Interest bearing Loans & Borrowings (contd.)
27.1 Term Loans (contd.)
27.1.1 Balangoda Plantations PLC

Lender/Loan No.	Repayable within 1 year Rs.'000	Repayable after 1 year Rs.'000	Balance as at 31.12.2012 Rs.'000	Balance as at 31.12.2011 Rs.'000	Balance as at 01.01.2011 Rs.'000	Nominal rate of interest %	Terms of Repayment
Asian Development Bank (Through the DFCC Bank)							
0000029143	-	-	-	1,983	3,966	15.71	120 equal installments at Rs.165236 commencing from 30 November 2002
0000029144	-	-	-	5,272	10,544	13.60	120 equal installments at Rs.439,314 commencing from 30 November 2002
0000029671	5,889	-	5,889	14,723	23,557	11.75	120 equal installments after a grace period of 60 months from the date of first disbursement Rs.165236 commencing from 30 November 2002
0000030320	8,155	6,116	14,271	22,425	30,580	13.10	120 equal installments after a grace period of 60 months from the date of first disbursement Rs.165236 commencing from 30 November 2002
0000030714	-	-	-	6,371	15,928	12.14	96 equal installments after a grace period of 48 months from the date of first disbursement Rs.165236 commencing from 30 November 2002
	14,044	6,116	20,160	50,774	84,575		

Securities Pledged
DFCC Bank

Primary mortgage over the Leasehold rights to the land and buildings of Palmgarden,Pettiagalla and Balangoda Estates.
Further mortgage over the Leasehold rights to the land and buildings of Palmgarden,Pettiagalla and Galuthara Estates.
Primary mortgage over the Leasehold rights to the land and buildings of Balangoda, Meddekande and Rasagalla Estates.

27.1.2 Distilleries Company of Sri Lanka PLC

Lender/Loan No.	Repayable within 1 year Rs.'000	Repayable after 1 year Rs.'000	Balance as at 31/03/2013 Rs.'000	Balance as at 31/03/2012 Rs.'000	Nominal rate of interest %	Monthly Repayment Rs.'000
Commercial Bank PLC - Term Loan	1,144,996	125,006	1,270,002	1,915,000	AWPLR 11.95%+2.5%	105,833

Securities Pledged
Equity shares of JKH held by Melstatcorp Ltd.

27 Interest bearing Loans & Borrowings (contd.)

27.2 Finance Lease

JEBD/SLPC Estates

	2012 Total Rs.'000	2011 Total Rs.'000	2010 Total Rs.'000
Gross Liability	**184,058**	189,731	202,935
Finance charges allocated to future periods	**(81,964)**	(86,109)	(90,971)
Net Liability to lessor at the end of the year	**102,094**	103,622	111,964
Balance of the end of year			
Payable after 1 year			
Payable within 2 to 5 years	**7,021**	6,750	6,490
Payable after 5 year	**93,483**	95,344	98,225
	100,504	102,094	104,715
Payable within 1 year	**1,590**	1,528	7,249

27.2.1 Balangoda Plantations PLC

The leases of the estates have been amended, with effect from 11 June 1996 to an amount substantially higher than the previous lease rental of Rs.500/- per estate per annum. The first rental payable under the revised basis is Rs.5.673 million for Balangoda Plantations PLC from 11 June 1997. This amount is inflated annually by the Gross Domestic Product (GDP) deflator, and is in the form of a contingent rental. The contingent rental charged to the Income Statement amounted to Rs.18,275,103/- which is based on the GDP deflator of 7.8% (2012).

27.3 Texpro Industries Ltd - Preference Shares

As per LKAS/ SLFRS requirements, preference shares of 1,264,616 amounting to Rs. 12.646 Mn which is redeemable as per the terms of an agreement has been classified as borrowings based on the features of the said shares. There fore the purpose of the Financial Reporting, the Company has classified the redeemable preference shares under borrowings.

28 Deferred Taxation

	GROUP			COMPANY		
	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000
28.1 Deferred Tax Liabilities						
Balance as at the beginning of the year	**486,219**	470,644	113,384	-	160,132	-
Acquisition/Disposal of subsidiaries	-	13,486	155,532	-	-	-
Adjustment due to rate change	-	-	(7,937)	-	-	3,648
Recognised in Profit or Loss/ Equity	**(9,005)**	2,089	209,665	-	(160,132)	156,484
Balance as at the end of the year	**477,214**	486,219	470,644	-	-	160,132
28.2 Deferred Tax Assets						
Balance as at the beginning of the year	**78,410**	59,706	102,695	**10,223**	-	13,461
Acquisition/Disposal of subsidiaries	-	13,512	(7,235)	-	-	-
Adjustment due to rate change	-	-	(8,554)	-	-	5,571
Recognised in Profit or Loss/ Equity	**(15,371)**	5,192	(27,200)	**(8,308)**	10,223	(19,032)
Balance as at the end of the year	**63,039**	78,410	59,706	**1,915**	10,223	-
Net Deferred Tax Liability/(Asset) as at the end of the year	**414,175**	407,809	410,938	**(1,915)**	(10,223)	160,132

28.3 Texpro Industries Ltd

The tax losses of the subsidiary as at the reporting date was Rs. 670,417,100/- resulting in a deferred tax asset of Rs. 187,716,788/- as at reporting date. However, deferred tax asset has been recognised only up to the deferred tax liability amounting to Rs.59,285,047/- as at the reporting date due to the uncertainty regarding the availability of future taxable profits against which the deferred tax asset would be utilised. Accordingly, the unrecognised deferred tax asset at reporting date was Rs. 128,431,741/-.

28 Deferred Taxation (contd.)

28.4 Lanka Bell Ltd

No deferred taxation has been provided for Lanka Bell Limited, a subsidiary of the company, since a majority of assets will be fully depreciated before the expiration of the tax holiday period of 20 years

28.5 Continental Insurance Lanka Ltd

As at the year end, total carried forward tax loss was Rs. 82.9 Million (2011: Rs 89.6 Million). The Company has utilised such tax losses in full to recognise a deferred tax asset as it is probable that the future profits will be adequate to utilise the available tax losses fully in the foreseeable future periods.

29 Retirement Benefit Obligations

	GROUP			COMPANY		
	2013 Rs. '000	**2012 Rs. '000**	**2011 Rs. '000**	**2013 Rs. '000**	**2012 Rs. '000**	**2011 Rs. '000**
Provision for Retiring Gratuity						
At the beginning of the year	**1,103,085**	1,038,779	676,629	**116,105**	109,991	111,414
Amounts Recognised in the Comprehensive Income	**142,537**	174,354	457,814	**11,827**	19,734	7,716
	1,245,622	1,213,133	1,134,443	**127,932**	129,725	119,130
Payments during the year	**(97,641)**	(110,048)	(95,664)	**(12,567)**	(13,620)	(9,139)
At the end of the year	**1,147,981**	1,103,085	1,038,779	**115,365**	116,105	109,991

29.1 Amounts recognised in the Statement of Comprehensive Income

Interest Cost	**76,072**	72,931	195,138	**10,449**	9,899	-
Current Service Cost	**76,512**	102,766	190,452	**8,045**	9,552	7,716
Acturial (Gain)/Losses	**(10,047)**	(1,343)	72,232	**(6,667)**	283	-
	142,537	174,354	457,814	**11,827**	19,734	7,716

29.2 The Group has adopted LKAS 19 Employees benefits in determining the liability in respect of Retiring Gratuity. The present value of the said liability is estimated using either the acturial valuation or gratuity formula method as recommended by LKAS 19.

29.3 The principal acturial assumptions used in determining this obligation were;

a)	Discount rate	**10-12.15%**
b)	Salary increment	**5-10%**
c)	Retirement age	**55-65 years**

The Group's policy is to obtain a valuation once in every three years.

30 Deferred Income

	GROUP		
	2013 Rs. '000	**2012 Rs. '000**	**2011 Rs. '000**
At the beginning of the year	**322,107**	307,133	239,302
Disposal of Namal Assets Management Ltd	**-**	-	(956)
Additions	**7,673**	29,472	51,500
Grants Received during the year	**-**	-	31,976
	329,780	336,605	321,822
Recovery of advance paid to PHDT	**-**	(722)	-
Amortised during the year	**(13,770)**	(13,776)	(14,689)
At the end of the year	**316,010**	322,107	307,133

The above amount includes Rs. 227.3 Mn which represent funding received by Balangoda Plantations PLC from various governmental and Non-governmental Institutions for social and infrastructure development of estates.

31 Trade and Other Payables

As at 31 March,	GROUP 2013 Rs. '000	2012 Rs. '000	As at 1 April 2011 Rs. '000	COMPANY 2013 Rs. '000	2012 Rs. '000	As at 1 April 2011 Rs. '000
Trade Payables	**2,331,535**	2,040,897	1,276,651	**129,854**	152,359	63,968
Other Payables and Accruals	**4,658,086**	4,424,109	4,199,490	**2,810,610**	2,325,494	1,858,821
Direct & Indirect Taxes Payable (Note: 31.1)	**4,333,674**	4,819,560	3,909,427	**3,614,070**	4,075,815	3,691,662
Dividend Payables	**143,480**	129,415	146,288	**133,803**	124,428	142,377
	11,466,775	11,413,981	9,531,856	**6,688,337**	6,678,096	5,756,828

31.1 Direct & Indirect Taxes Payable

	GROUP 2013	2012	1 April 2011	COMPANY 2013	2012	1 April 2011
Excise Duty	**3,418,414**	3,683,933	3,303,645	**3,217,859**	3,493,105	3,123,850
Value Added Tax	**817,781**	1,040,404	522,808	**308,683**	496,798	484,846
Social Responsibility Levy	-	-	8	-	-	-
Nation Building Levy	**97,479**	95,223	82,966	**87,528**	85,912	82,966
	4,333,674	4,819,560	3,909,427	**3,614,070**	4,075,815	3,691,662

32 Amounts due to Related Companies and Subsidiaries

As at 31 March,	GROUP 2013 Rs. '000	2012 Rs. '000	As at 1 April 2011 Rs. '000	COMPANY 2013 Rs. '000	2012 Rs. '000	As at 1 April 2011 Rs. '000
Stassens Exports Ltd.	**240,292**	216,140	283,918	**42**	1,397	1,418
Madulsima Plantations PLC	-	285	2,191	-	-	-
Splendor Media (Pvt) Ltd	-	-	25,530	**25,830**	26,512	25,530
Melstacorp Ltd.	-	-	-	-	12,134,116	1,788
Melsta Logistics (Pvt) Ltd	-	-	-	**248,213**	6,380	-
Periceyl (Pvt) Ltd.	-	-	-	**692,694**	303,186	994
Ace International Express (Pvt) Ltd	-	8,184	-	-	-	-
Aitken Spence Hotel Managements (Pvt) Ltd	**727**	-	1,945	-	-	-
Aitken Spence PLC	**1,083**	539	2,494	-	-	-
Aitken Spence Exports (Pvt) Ltd	-	-	89	-	-	-
Lanka Milk Foods (CWE) PLC	**11**	2,415	50	-	422	-
Lanka Dairies Pvt Ltd	-	-	107	-	-	-
Texpro Industries Ltd	-	-	-	**1,128**	1,115	920
Belvantage (Pvt) Ltd	-	-	-	**3,518**	-	-
Sithma Development Private Limited	**177**	-	-	-	-	-
Lanka Aluminium Industries PLC	**136**	-	-	-	-	-
Comark Engineers (Pvt) Ltd	**53**	-	-	-	-	-
	242,479	227,563	316,324	**971,425**	12,473,128	30,650

33. Assets Classified as Held for Sale

As at 31 March,	GROUP 2013 Rs. '000	2012 Rs. '000	As at 1 April 2011 Rs. '000
Property, Plant & Equipment classified as Held for Sale	**518**	508	26,895

Consequent to the decision taken to demolish and reconstruct the new hotel the carrying amount of assets held by Browns Beach Hotels PLC is recognised under assets held for sale.

34 Related Party Disclosures

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard (LKAS 24) "Related Party Disclosures", the details of which are reported below. The Pricing applicable to such transactions is based on the assessment of risk and pricing model of the Company and is comparable with what is applied to transactions between the Company and its unrelated Customers.

34.1 Details of significant related party transactions are given below

No.	Name of Company	Name of Directors	Nature of Interest	Nature of Transaction	Transaction Value (Rs.000')	Balance (due to) / due from as at 31-03-2013 (Rs.000')
1	Milford Exports (Ceylon) (Pvt) Limited	Mr. D.H.S.Jayawardena Mr. R.K.Obeyesekere	Parent Co.	Dividend Paid	373,412	
2	Periceyl (Pvt) Limited	Mr. D.H.S.Jayawardena Mr. R.K.Obeyesekere Mr. C.R.Jansz	Subsidiary Co.	Debtor Collections & Transfers	5,675,345	(692,694)
				Supply of Goods & Services	596,452	
				Trading Account Profit	74,590	
3	Balangoda Plantations PLC	Mr. D.H.S.Jayawardena Mr. R.K.Obeyesekere Mr. C.R.Jansz	Subsidiary Co.	Rent Paid	200	
				Purchase of Tea	91	
4	Splendor Media (Pvt) Ltd.		Subsidiary Co.	Loan Interest paid	3,671	(25,830)
				Supply of Goods & Services	1,876	
				Services Received	2,010	
5	Texpro Industries Limited	Mr. D.H.S.Jayawardena Mr. C.R.Jansz	Subsidiary Co.	Purchase of Uniform Materials	844	(1,128)
				Electricity Charges	14	
6	Continental Insurance Lanka Ltd	Mr. D.H.S.Jayawardena Mr. C. F. Fernando	Subsidiary Co.	Insurance Premium	34,317	1,254
				Insurance Claim Received	2,943	
				Supply of Goods & Services	953	
7	Melsta Logistics (Pvt) Ltd		Subsidiary Co.	Vehicle Hiring charges	313,290	(248,213)
				Supply of Goods & Services	48,213	
				Repair Charges	6,454	
				Rent paid	206	

34 Related Party Disclosure (contd.)

34.1 Details of significant related party transactions (contd.)

No.	Name of Company	Name of Directors	Nature of Interest	Nature of Transaction	Transaction Value (Rs.000')	Balance (due to) / due from as at 31-03-2013 (Rs.000')
8	Melstacorp Limited	Mr. D.H.S.Jayawardena Mr. R.K.Obeyesekere Mr. C.R.Jansz Mr. N.de S. Deva Aditya Capt. K.J.Kahanda Mr. C. F. Fernando Dr. N. Balasuriya	Subsidiary Co.	Dividend Paid Rent paid & Other Services Supply of Goods & Services Rent Income Transferred Value of Land & Building Funds Transferred Sale of Shares Funds Received	25,952 169,199 9,671 17,545 626,898 1,223,039 14,179,546 370,500	2,435,476
9	Lanka Bell Ltd	Mr. D.H.S.Jayawardena Mr. C.R.Jansz	Subsidiary Co.	Loan Interest Received Loan Repayment Telephone Bills Paid & Services Rended Supply of Goods & Services	15,741 21,000 11,766 249	94,299
10	Bellvantage (Pvt) Ltd	Mr. D.H.S.Jayawardena	Subsidiary Co.	Maintenance Charges	45,275	(3,518)
11	Bell Solutions (Pvt) Ltd	Mr. D.H.S.Jayawardena	Subsidiary Co.	Maintenance Charges	2,213	-
12	Melsta Regal Finance Ltd		Subsidiary Co.	Supply of Goods & Services	782	27
13	Aitken Spence PLC	Mr. D.H.S.Jayawardena Mr. N.de S. Deva Aditya	Associate Co.	Dividend Received	65,971	-
14	Madulsima Plantations PLC	Mr. D.H.S.Jayawardena Mr. R.K.Obeyesekere	Associate Co.	Loan Interest received Loan Given Supply of Goods & Services	21,774 70,000 90	550,996
15	Stassen Exports (Pvt) Limited	Mr. D.H.S.Jayawardena Mr. R.K.Obeyesekere	Affiliate Co.	Dividend Paid Purchases, Repairs & Maintenance & Transport Charges Supply of Goods & Services	6,343 56,416 2,042	(42)

34. Related Party Disclosure (contd.)

34.1 Details of significant related party transactions (contd.)

No.	Name of Company	Name of Directors	Nature of Interest	Nature of Transaction	Transaction Value (Rs.000')	Balance (due to) / due from as at 31-03-2013 (Rs.000')
16	Lanka Dairies (Pvt) Ltd.	Mr. D.H.S.Jayawardena Mr. R.K.Obeyesekere Mr. C.R.Jansz	Affiliate Co.	Purchase of Milk Foods	3,446	-
17	Lanka Milk Foods (CWE) PLC	Mr. D.H.S.Jayawardena Mr. R.K.Obeyesekere Mr. C.R.Jansz	Affiliate Co.	Dividend Paid Dividend Received Purchase of Milk Foods Supply of Goods & Services Sale of Energy Drink	113,885 764 6,457 21,308 2,756	5,078
18	DFCC Bank PLC	Mr. C.R.Jansz	Affiliate Co.	Dividend Received	67,406	-
19	Aitken Spence Hotel Holding PLC	Mr. D.H.S.Jayawardena	Affiliate Co.	Sales	802	-

This Note should be read in conjunction with Note 22, 23 and 32 amount due to/due from Subsidiaries, Associates & Related Companies.

34.1.1 Disclosure in relation to related party transactions in accordance with continuing listing requirements of Colombo Stock Exchange

Date of Transaction	Name of the Related Party	Relationship	Nature of the Transaction	Amount Rs.000	Rational for Entering to the Transaction
26-Jun-12	Melstacorp Ltd	Subsidiary	Disposal of Shares	7,037,050	As part of the group re-structuring plan.
28-Aug-12	Melstacorp Ltd	Subsidiary	Disposal of Shares	2,527,842	As part of the group re-structuring plan.
26-Sep-12	Melstacorp Ltd	Subsidiary	Disposal of Shares	2,936,304	As part of the group re-structuring plan.

34.1.2 Melstacorp Share Trust

Melstacorp has advanced Rs.1,475Mn to form a share trust for the benefit of employees of the Group where the Mr.C.F. Fernando and Dr.N. Balasuriya are the Trustees. (Refer Note 21.1).

34.2 Transactions with Key Management Personnel

According to Sri Lanka Accounting Standard (LKAS 24) "Related Party Disclosures", Key management personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including executive and non-executive Directors) and their immediate family member have been classified as Key Management Personnel of the Company.

The immediate family member is defined as spouse or dependent. Dependent is defined as anyone who depends on the respective Director for more than 50% of his/her financial needs.

Loans to Directors
There were no loans given to Directors during the year.

Key Management Personnel Compensation
There were no compensation paid to Key Management Personnel during the year other than those disclosed below.

34. Related Party Disclosure (contd.)

34.2 Transactions with Key Management Personnel (contd.)

Key Management Personnel Compensation (contd.)

For the year ended 31 March,	GROUP 2013 Rs.	GROUP 2012 Rs.	COMPANY 2013 Rs.	COMPANY 2012 Rs.
Short Term Employee Benefits	60,107	19,623	22,247	18,708
Post Employment Benefits	-	-	-	-
Other Long Term Benefits	-	-	-	-
Termination Benefits	-	-	-	-
Share Base Payments	-	-	-	-

35. Contingent Liabilities

Pending Litigation

There are no material contingent liabilities as at 31 March 2013 other than disclose below. Based on the available information the management is of the view that there are no material litigation or clams that could have material impact on the financial position on the group. Accordingly, no provision has been made for legal claims in the Financial Statements.

35.1 Distilleries Company of Sri Lanka PLC

A plaint filled by Censtear (Pvt) Limited against the Company claiming a sum of Rs 18 Mn was decided in favour of the plaintiff by the Commercial High Court of Colombo. The Company has filed an appeal this order and a claim has been made in reconvention.

35.2 Lanka Bell Limited

The company has opened letter of credit amounting to US$ 3.47 Mn for its operations.

Sri Lanka Customs carried out an investigation claiming that Lanka Bell Limited is required to pay duty on the FLAG fiber optic submarine cable network which spans the globe connecting over 86 locations around the world. The Company is confident that no such duties are payable since Lanka Bell does not own this global network and also has already obtained BOI approval for the FLAG project.

The company filed a writ application in Court of Appeal citing irregularities in the procedure adopted by the Sri Lanka Customs in issuing such a notice.

35.3 Melsta Regal Finance Limited

The company has opened a sum of Rs.1,137,780/= worth of Letter of Credit on behalf of the customers.

35.4 Melstacorp Limited

The Securities and Exchange Commission (SEC) had filed a case before the Colombo Fort Magistrate against the ten defendants including Melstacorp Limited on charges of having violated Section 52(1) (2) (3) of the SEC Act. Melstacorp Limited has filed an action in the Court of Appeal and subsequent to the reporting date a settlement has been agreed upon by the Securities and Exchange Commission (SEC) and Melstacorp Limited for cases pending in the Court of Appeal and Fort Magistrate's Court.

36 Capital and Other Commitments

There were no material capital expenditure approved by the Board of Directors as at 31 March 2013 other than followings;

36.1 Distilleries Company of Sri Lanka PLC

The Board of Directors has approved a capital expenditure of approximately Rs. 2.1 Bn for new Machinery and Buildings.

36.2 Browns Beach Hotel PLC

The project for constructing a new resort hotel in the existing hotel compound is undertaken by Negombo Beach Resorts (Pvt) Ltd. which is a 100% owned subsidiary of Browns Beach Hotels PLC.
The total project cost is estimated to be in the region of Rs. 4.0 Bn.

36.3 Lanka Bell Limited

The Board of Directors has approved a capital expenditure of approximately Rs. 720 Mn.

37. Impact of Revival of Underperforming Enterprises and Underutilised Assets Bill – Pelwatte Sugar Industries PLC Group (PSIP)

Consequent to the enactment and passage of the above Act of Parliament on 9 November 2011, the state officials are occupying the land leased to PSIP. As the leasing of the land to PSIP was done in 1985, and the above mentioned Act empowers the vesting of land leased during a period of 20 years before the enactment of the Act. The Company believes that the land that was used by PSIP have not been vested in the state. At this moment the management is unable to comment further on the implications on the ruling as the Company is awaiting instructions by the Secretary to the Treasury.

Financial results up to 30 September 2011 were consolidated to Group results for the year ended 31 March 2012. Subsequent financial results have not been incorporated to the Group results due to non accessibility of the information. Subsequently a Compensation Tribunal was formed as required by the Act. Without assuming any liability or without any prejudice to, or impact on its rights, PSIP has submitted a claim to the Compensation Tribunal.

Commercial High Court of Western Province (Colombo Civil) issued a winding-up order of Pelwatte Sugar Industries PLC on 13 March 2013. The Court has appointed P.E.A. Jayewickreme and G.J. David, as the Liquidators.

PSIP Group consist following entities;
Subsidiaries
Pelwatte Sugar Industries PLC.
Pelwatte Sugar Distilleries (Pvt) Ltd.
Pelwatte Agriculture & Engineering Services (Pvt) Ltd.

Associate
Pelwatte Dairy Industries Ltd.

Summary of Financial Information of PSIP Group as at 30 Sep 2011 is given below;

	Net Assets Rs.'000	Turnover Rs.'000	Profit/(Loss) Rs.'000
PSIP Group	1,634,278	1,681,707	821,724

38. Amount due from the Secretary to the Treasury on Account of SLIC

a) In respect of Shares

As per the Judgment delivered by the Supreme Court of the Democratic Socialist Republic of Sri Lanka on 4 June 2009 it was declared and directed that the shares of SLIC purported to have been sold to Distilleries Consortium on 11 April 2003 along with any shares purchased from employees as per SSPA shall be deemed to have been held for and on behalf of the Secretary to the Treasury.

As directed by the said judgment, the Secretary to the Treasury returned Rs.5,716 Mn in 2010/11 that was paid by Group Subsidiary Milford Holdings (Pvt) Limited (MHL) to purchase shares from SLIC.

b) In respect of Profits Earned

Furthermore, MHL was entitled to retain the profits of SLIC derived by MHL from 11 April 2003 to 04 June 2009 in lieu of the interest for the aforesaid investment. The Secretary to the Treasury was directed to cause profits of SLIC to be computed and audited from the date of the last audited Reporting of SLIC to 04 June 2009 to enable MHL to obtain such profits.

However, Secretary to the Treasury has not yet determined the value of profits to be retained by the MHL; hence no adjustments were made to the Financial Statements in this regards.

39. Events after the Reporting Period

There were no other material events occurring after the Reporting period that requires adjustments to or disclosure in the Financial Statements other than disclosed below;

39.1 Balangoda Plantations PLC

Subsequent to the reporting date, the Employers' Federation of Ceylon signed a Plantation Workers Wage Collective Agreement with trade unions increasing the daily wage rate and attendance incentive to Rs.450 and Rs.140, respectively with effect from 01 April 2013.

40 Segmental Information

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), which is subject to risks and rewards that are different from those of other segments.

Segmental information is presented in respect of the Group's business segments. The business segments are determined based on the Group's management and internal reporting structure. Inter-segment transfers are based on fair market prices. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

	GROUP	
For the year ended 31 March,	**2013**	**2012**
	Rs.'000	**Rs.'000**
40.1 Turnover		
Beverages	**56,478,892**	52,907,583
Plantations	**2,779,742**	2,659,168
Telecommunications	**3,997,328**	3,960,227
Diversified	**2,534,498**	3,597,917
Gross Turnover	**65,790,460**	63,124,895
Turnover based Taxes	**(37,023,967)**	(36,150,107)
Net Turnover	**28,766,493**	26,974,788
40.2 Industry Segment Profit		
Beverages	**6,348,704**	6,636,233
Plantations	**110,308**	115,919
Telecommunications	**(150,185)**	93,624
Diversified	**483,741**	765,950
	6,792,568	7,611,726
Share of Profit of Equity Accounted Investees	**1,291,749**	1,364,992
Net Profit Before Tax	**8,084,317**	8,976,718
Taxation	**(2,826,147)**	(2,924,312)
Net Profit After Tax	**5,258,170**	6,052,406

40 Segmental Information (contd.)

40.2 Segmental Assets and Liabilities

As at 31 March,	Beverage			Plantation			Telecommunication			Diversified			Total		
	2013	2012	2011	2013	2012	2011	2013	2012	2011	2013	2012	2011	2013	2012	2011
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Total Assets	57,917,364	64,219,716	39,767,640	4,388,486	4,155,660	4,094,368	8,281,583	8,840,094	9,436,980	59,373,719	53,949,654	14,701,599	129,961,152	131,165,124	68,000,587
Consolidation Adjustments	(35,112,805)	(37,477,539)	(7,349,346)	-	-	-	(1,000)	(125,467)	(280,277)	(16,602,493)	(20,207,011)	(758,906)	(51,716,298)	(57,810,017)	(8,388,529)
	22,804,559	26,742,177	32,418,294	4,388,486	4,155,660	4,094,368	8,280,583	8,714,627	9,156,703	42,771,226	33,742,643	13,942,693	78,244,854	73,355,107	59,612,058
Interest Bearing Liabilities	8,576,034	9,741,831	254,601	254,977	212,600	191,332	1,562,962	1,804,822	2,296,689	761,054	609,109	1,714,345	11,155,027	12,368,363	4,456,967
Non Interest Bearing Liabilities															
Differed Taxation	-	166,356	146,672	177,793	170,167	176,377	-	-	-	299,421	149,697	147,595	477,214	486,219	470,644
Retirement Benefit Obligation	118,475	118,958	112,336	620,570	580,125	525,975	56,159	54,994	48,602	352,777	349,008	351,866	1,147,981	1,103,085	1,038,779
Trade & Other Payables	6,991,528	7,000,182	6,210,745	379,484	340,187	311,255	1,266,504	1,301,325	1,446,690	2,829,259	2,772,289	1,563,166	11,466,775	11,413,981	9,531,856

40.3 Segmental Cash Flows

For the year ended 31 March,	Beverage			Plantation			Telecommunication			Diversified		
	2013	2012	2011	2013	2012	2011	2013	2012	2011	2013	2012	2011
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Operating Cash Flow	3,324,378	15,051,650	4,511,347	227,296	126,637	290,391	712,033	1,169,944	962,531	100,479	1,552,337	96,433
Investing Cash Flow	(663,517)	(28,952,249)	1,154,400	(262,423)	(235,484)	(133,318)	(483,232)	(728,572)	(420,766)	(1,460,075)	(1,093,153)	(79,037)
Financing Cash Flow	(1,635,622)	(817,949)	(950,775)	(54,910)	(103,635)	(85,447)	(10,399)	(412,699)	(986,918)	1,045,417	72,041	(121,346)
	1,025,239	(14,718,548)	4,714,972	(90,037)	(212,482)	71,626	218,402	28,673	(445,153)	(314,179)	531,225	(103,950)

41 Financial Instruments

41.1 Financial Instruments by Category

As at 31 March 2013

Group	Loans and Receivables (Rs'000)	Assets at Fair Value Through Profit and Loss (Rs'000)	Held to Maturity (Rs'000)	Available for Sale (Rs'000)	Total (Rs'000)
Assets as per Statement of Financial Position					
Non Current Assets					
Other Investments	-	-	-	14,512,561	14,512,561
Current Assets					
Other Investments	-	1,668,328	100,148	-	1,768,476
Trade and Other Receivables	8,190,251	-	-	-	8,190,251
Amounts due from related parties	749,654	-	-	-	749,654
Short Term Deposits	3,824,871	-	-	-	3,824,871
Cash and Cash Equivalents	1,017,775	-	-	-	1,017,775
Total	13,782,551	1,668,328	100,148	14,512,561	30,063,588

	Other Financial Liabilities at Amortised Cost (Rs'000)	Total (Rs'000)
Liabilities as per Statement of Financial Position		
Interest Bearing Borrowings	11,155,027	11,155,027
Trade and Other Payables	11,466,775	11,466,775
Amounts due to related parties	242,479	242,479
Total	22,864,281	22,864,281

As at 31 March 2012

Group	Loans and Receivables (Rs'000)	Assets at Fair Value Through Profit and Loss (Rs'000)	Held to Maturity (Rs'000)	Available for Sale (Rs'000)	Total (Rs'000)
Assets as per Statement of Financial Position					
Non Current Assets					
Other Investments	-	-	-	12,224,623	12,224,623
Current Assets					
Other Investments	23,998	1,281,105	10,724	-	1,315,827
Trade and Other Receivables	8,209,801	-	-	-	8,209,801
Amounts due from related parties	477,699	-	-	-	477,699
Short Term Deposits	4,157,311	-	-	-	4,157,311
Cash and Cash Equivalents	797,336	-	-	-	797,336
Total	13,666,145	1,281,105	10,724	12,224,623	27,182,597

	Other Financial Liabilities at Amortised Cost (Rs'000)	Total (Rs'000)
Liabilities as per Statement of Financial Position		
Interest Bearing Borrowings	12,368,363	12,368,363
Trade and Other Payables	11,413,981	11,413,981
Amounts due to related parties	227,563	227,563
Total	24,009,907	24,009,907

41 Financial Instruments (contd.)

41.1 Financial Instruments by Category (contd.)

As at 31 March 2013

Company	Loans and Receivables (Rs'000)	Assets at Fair Value Through Profit and Loss (Rs'000)	Held to Maturity (Rs'000)	Available for Sale (Rs'000)	Total (Rs'000)
Assets as per Statement of Financial Position					
Non Current Assets					
Other Investments	-	-	-	5,897,294	5,897,294
Current Assets					
Other Investments	-	684,758	-	-	684,758
Trade and Other Receivables	3,366,090	-	-	-	3,366,090
Amounts due from related parties	3,087,130	-	-		3,087,130
Short Term Deposits	70,410				70,410
Cash and Cash Equivalents	695,789	-	-	-	695,789
Total	7,219,419	684,758	-	5,897,294	13,801,471

	Other Financial Liabilities at Amortised Cost (Rs'000)	Total (Rs'000)
Liabilities as per Statement of Financial Position		
Interest bearing borrowings	8,576,034	8,576,034
Trade and Other Payables	6,688,337	6,688,337
Amounts due to related parties	971,425	971,425
Total	16,235,796	16,235,796

As at 31 March 2012

Company	Loans and Receivables (Rs'000)	Assets at Fair Value Through Profit and Loss (Rs'000)	Held to Maturity (Rs'000)	Available for Sale (Rs'000)	Total (Rs'000)
Assets as per Statement of Financial Position					
Non Current Assets					
Other Investments	-	-	-	5,873,952	5,873,952
Current Assets					
Other Investments	-	575,544	-	-	575,544
Trade and Other Receivables	3,341,786	-	-	-	3,341,786
Amounts due from related parties	1,213,978	-	-	-	1,213,978
Short Term Deposits	90,676	-	-	-	90,676
Cash and Cash Equivalents	272,010	-	-	-	272,010
Total	4,918,450	575,544	-	5,873,952	11,367,946

	Other Financial Liabilities at Amortised Cost (Rs'000)	Total (Rs'000)
Liabilities as per Statement of Financial Position		
Interest bearing borrowings	9,741,572	9,741,572
Trade and Other Payables	6,678,096	6,678,096
Amounts due to related parties	12,473,128	12,473,128
Total	28,892,796	28,892,796

41 Financial Instruments (contd.)
41.2 Fair Value Estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Following table presents the assets and liabilities that are measured at fair value at 31 March 2013.

Group	Level 1 (Rs'000)	Level 2 (Rs'000)	Level 3 (Rs'000)	Total (Rs'000)
Assets				
Non Current Assets				
Other investments				
-Available for sale Financial Assets				
-Quoted Equity Shares	14,468,404	-	-	14,468,404
-Unquoted Equity Shares	-	-	30,007	30,007
-Unit Trusts	3,000	-	-	3,000
-Other long Term Investments	11,150	-	-	11,150
Current Assets				
Other Investments				
- Fair Value through profit and Loss				
-Quoted Equity Shares	1,526,614	-	-	1,526,614
-Unit Trusts	141,714	-	-	141,714
Total Assets	16,150,882	-	30,007	16,180,889
Total Liabilities	-	-	-	-

Company	Level 1 (Rs'000)	Level 2 (Rs'000)	Level 3 (Rs'000)	Total (Rs'000)
Non Current Assets				
Other investments				
-Available for sale Financial Assets				
-Quoted equity Shares	5,894,287	-	-	5,894,287
-Unquoted equity Shares			7	7
-Unit Trusts	3,000	-	-	3,000
Current Assets				
Other Investments				
- Fair Value through profit and Loss				
-Quoted equity Shares	684,758	-	-	684,758
Total Assets	6,582,045	-	7	6,582,052
Total Liabilities	-	-	-	-

41 Financial Instruments (contd.)

41.2 Fair Value Estimation (contd.)

Following table presents the assets and liabilities that are measured at fair value at 31 March 2012.

Group	Level 1 (Rs'000)	Level 2 (Rs'000)	Level 3 (Rs'000)	Total (Rs'000)
Assets				
Non Current Assets				
Other investments				-
-Available for sale Financial Assets				
-Quoted equity Shares	12,180,466	-	-	12,180,466
-Unquoted equity Shares	-	-	30,007	30,007
-Unit Trusts	3,000	-	-	3,000
-Other long Term Investments	11,150	-	-	11,150
Current Assets				
Other Investments				
- Fair Value through profit and Loss				
-Quoted equity Shares	1,281,105	-	-	1,281,105
-Unit Trusts	-	-	-	-
Total Assets	13,475,721	-	30,007	13,505,728
Total Liabilities	-	-	-	-

Company	Level 1 (Rs'000)	Level 2 (Rs'000)	Level 3 (Rs'000)	Total (Rs'000)
Assets				
Non Current Assets				
Other investments				
-Available for sale Financial Assets				
-Quoted equity Shares	5,870,945	-	-	5,870,945
-Unquoted equity Shares	-	-	7	7
-Unit Trusts	3,000	-	-	3,000
Current Assets				
Other Investments				
- Fair Value through profit and Loss				
-Quoted equity Shares	575,544	-	-	575,544
Total Assets	6,449,489	-	7	6,449,496
Total Liabilities	-	-	-	-

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in **Level 1**.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in **Level 2**.

If one or more of the significant inputs is not based on observable market data, the instrument is included in **Level 3**.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

42. Financial Risk Management

The Group has adopted practices to mitigate risks arising from adverse market conditions (prices, rates and volatile markets) by hedging (or not) using financial instruments.

Financial Risk derives from economic uncertainty. The inability to forecast with certainty would either erode profitability (e.g. adverse exchange rate) or could jeopardise the ability of the company to raise finance from markets (e.g. volatile interest rates).

Group's core business of beverage is essentially a cash business hence has a short cash cycle. This results in low financial risk adding to greater degree of control of finance. Other sectors such as Telecommunication, Plantation, Insurance, Finance and other diversified holdings exercise policies stemming from DCSL's practices of effective financial risk management as common members of the board ensures uniformity. Continental Insurance and Melsta Regal Finance are exceptional and adhere to an even higher degree of management to comply with IBSL and CBSL regulatory compliance/guidelines respectively.

Financial Instruments

Group's financial instruments consist of ASSETS - its portfolio of equity investments, deposits in banks, accounts receivable. LIABILITIES - Loan obligations, accounts payable and accrued liabilities such excise duty, taxes, payroll and pension account.

42.1 Financial Risk Management Objectives and Policies

Whilst 'risk management' is ingrained in the business from the Board down to operational level, financial risk management at Group is entrusted to a niche of in-house financial professionals ably supported by external economists, financial consultants, legal counsel, tax experts, banks and auditors.

In the normal course of business, the Group is exposed to financial risks that have the potential to negatively impact its financial performance. The Group does not use derivative financial instruments to manage these risks, as management believes that the risks arising from the financial instruments are already at an acceptable level. This is further accredited by the AAA/Stable rating assigned by Fitch this year.

These risks are discussed in more detail below.

Financial Risk

- Market Risk
  - Equity Risk
  - Interest Rate Risk
  - Forex Exchange Risk
- Credit Risk
- Financing Risk
- Liquidity Risk
- Operational Risk

42.1.1 Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk; equity price risk, interest rate risk, currency risk (or foreign exchange risk), and other price risks such as commodity price risk. Financial instruments at Group level affected by market risk include loans and borrowings, deposits, letters of credit and available for sale investments. The objective of market risk management is to manage and to control market risk exposures within acceptable parameters while optimising the return.

- **Equity Price Risk**
  Certain companies of the Group have equity investment portfolios held on a long term basis; hence immune to daily fluctuations. Further, a small trading portfolio is managed by two reputed Unit Trust companies licensed by the SEC. Safe Custodian agreements with banks are in place that adds a control dimension.

- **Interest Rate risk**
  Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has short and long-term debt facilities. Interest rate risk exists as Group earns market rates of interest on its deposits in cash management pools. An active risk management program does not exist, as management believes that changes in interest rates would not have a material impact on Group's financial position over the long term.

- **Foreign Exchange Risk**
  The Group has exposure to foreign currency risk as it conducts business in a select few foreign currencies; however, its exposure is primarily limited to the US dollar. Group does not utilise derivative instruments to manage this risk. Subject to competitive conditions, changes in foreign currency rates may be passed on to consumers through pricing over the long term.

  The beverage sector demand for USD has traditionally outpaced its supply, due to USD sourcing of production inputs (imported spirits and machinery) exceeding that of the sector's USD sales. Therefore, decreases in the value of the Sri Lankan Rupee (LKR) relative to the USD will have an unfavourable impact on the sector earnings.

42.1.2 Credit Risk

This is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to financial loss. Group's credit risk arises primarily from credit exposure to customers, including outstanding receivable from select retail chains.

The Group assesses the credit quality of its counter-parties, taking into account their financial position, past experience and seasonal factors. As the large majority of Beverage accounts receivable balances are collectable from licensed retailers, management believes that the sector's credit risk relating to accounts receivable is at an acceptably low level. The Group has observed higher credit risk in telecommunication sector due to large number of small customers. However, risk is managed and mitigated by adopting timely disconnection policy and converting customer to prepaid mode. Credit risk in the Insurance sector could mainly arise from financial assets such as its investments portfolios, premium receivable from policy holders, receivable from reinsurers. Insurance sector mitigates its credit risk on investment portfolios by investing in government guaranteed instruments and investment in higher credit rated institutions. Premium payment warrantee is strictly implemented and all non life insurance policies with payment outstanding over 60 days are cancelled. Claim settlements are processed only after the review position of outstanding receivables.

Further a credit risk could trigger from the unlikely event of a bank failure where deposits are frozen. Group has complete trust in the banking supervision system in Sri Lanka. Nevertheless Group hold balances with only appropriately rated banks and financial institutions and has running short term balances to mitigate such risks.

42.1.3 Financing Risk

The company has a very strong Financial Position and is among the most preferred among local providers of finance. This was further cemented by the high credit rating assigned by Fitch negating any doubts of Group's ability to secure funding at cheaper rates. Often the company has access to bank lines sans security. However, the management as a policy maintains a healthy gearing ratio and a Debt Service Coverage Ratio always in par with the industry without overstretching the Financial Position. Since of late foreign funding lines too have been cautiously approached to benefit from low interest rates globally.

42. Financial Risk Management (contd.)

42.1.4 Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations on time.

Group's sources of liquidity are its short term deposits in banks and its cash generated by operating activities. Group's total contractual maturities are represented by its accounts payable and accrued liabilities, and are mostly due to be paid within one year. The Group believes that its deposits in cash management pools, ready bank lines (ODs, loans), debt with rollover options, combined with its historically strong and consistent operational cash flows, are more than sufficient to fund its operations, investing activities and commitments for the foreseeable future.

Group does not have any investments in asset-backed commercial papers and, therefore, has no exposure to this type of liquidity risk.

Table below summarises the maturity profile of the Group's Financial Liabilities based on Contractual Undiscounted Payments

Group (Rs.000)

As at 31 March 2013	On Demand	Less than 3 months	3 months to 1 Year	More than 1 Year	Total Liquidity Exposure
Interest Bearing Loans and Borrowings	8,768,838	477,979	1,305,994	602,216	11,155,027
Trade and Other Payables	7,133,101	4,333,674	-	-	11,466,775
Total	15,901,939	4,811,653	1,305,994	602,216	22,621,802

Company (Rs.000)

As at 31 March 2013	On Demand	Less than 3 months	3 months to 1 Year	More than 1 Year	Total Liquidity Exposure
Interest bearing Borrowings	7,306,032	317,499	827,497	125,006	8,576,034
Trade and Other Payables	3,074,267	3,614,070	-	-	6,688,337
Total	0,380,299	3,931,569	827,497	125,006	15,264,371

Operational Risk

Operational risk is the broad discipline focusing on the financial risks arising from the people, systems and processes through which companies operate. It can also include other classes of risk, such as fraud, legal risks, physical or environmental risks. A breach could not only endanger the finances of respective companies but also as a quoted company, DCSL's reputational risk.

The company deploys several best practices of corporate governance (enumerated in pages 52 to 57). A new ERP is being rolled over with checks & balances of finance. The Internal Audit department is tentacle throughout the organisation. Discipline and Training are the two instruments that have helped DCSL to minimise operational risk.

42.2 Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group's may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt/total capital. Net debt is calculated as total borrowings (including current and non-current borrowing as shown in the consolidated Statement of Financial Position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated Statement of Financial Position plus net debt. Gearing ratios at 31 March 2013 and 2012 are as follows.

As at 31 March,	**2013**		**2012**	
	Group (Rs '000)	**Company (Rs '000)**	**Group (Rs '000)**	**Company (Rs '000)**
Total borrowing (Note - 27)	**11,155,027**	**8,576,034**	12,368,363	9,741,572
Less: Cash & Cash Equivalents (Note - 25)	**1,017,775**	**695,789**	797,336	272,010
Net Debt	**10,137,252**	**7,880,245**	11,571,027	9,469,562
Total Equity	**52,712,717**	**39,155,123**	46,146,105	32,597,233
Total Capital	**62,849,969**	**47,035,368**	57,717,132	42,066,795
Gearing Ratio	**16%**	**17%**	**20%**	**23%**

43. Reconciliations on transition to new Sri Lanka Accounting Standards (SLFRS/LKAS)

As stated in Note 2.1, these are the Group's first Financial Statements prepared in accordance with new Sri Lanka Accounting Standards prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS), promulgated by The Institute of Chartered Accountants of Sri Lanka (ICASL).

The Accounting Policies set out in Note 3 have been applied in preparing the Financial Statements for the year ended March 31, 2013, the comparative information presented in these Financial Statements for the year ended March 31, 2012 and in the preparation of an opening Statement of Financial Position as at April 1, 2011 (the Company's date of transition).

In preparing its opening new SLAS Statement of Financial Position, the Group has adjusted amounts reported previously in Financial Statements prepared in accordance with previous SLAS. An explanation of how the transition from previous SLASs has affected the Company's financial position and financial performance is set out in the following tables and notes that accompany the tables.

43.1. Reconciliation of Financial Position as at 1 April 2011 (date of transition to SLFRS / LKASs)

	Notes	GROUP As per SLAS Rs'000	 Effect of transition to SLFRS / LKASs Rs'000	 As per SLFRS / LKASs Rs'000	COMPANY As per SLAS Restated Rs'000	 Effect of transition to SLFRS / LKASs Rs'000	 As per SLFRS / LKASs Rs'000
Non-Current Assets							
Property, Plant and Equipment	A	14,140,635	(975,930)	13,164,705	4,590,446	(16,061)	4,574,385
Leasehold Properties		353,325	-	353,325	-	-	-
Biological Assets	B	-	2,246,148	2,246,148	-	-	-
Intangible Assets	C	2,384,812	20,604	2,405,416	-	16,061	16,061
Investments In Subsidiaries		-	-	-	7,346,923	-	7,346,923
Investments in Equity Accounted Investees		12,196,832	7,186	12,204,018	8,272,307	-	8,272,307
Long Term Investments	D	44,152	7,324,010	7,368,162	3,000	7,324,012	7,327,012
Goodwill on acquisition		1,032,012	-	1,032,012	-	-	-
Deferred Tax Assets	E	154,001	(94,295)	59,706	-	-	-
Advance Lease premium		1,402	-	1,402	-	-	-
		30,307,167	8,527,723	38,834,890	20,212,676	7,324,012	27,536,688
Currents Assets							
Short Term Investments	F	2,453,111	(1,779,599)	673,512	1,413,155	(1,026,004)	387,151
Inventory	G	4,665,580	(99,934)	4,565,646	2,006,559	-	2,006,559
Trade and Other Receivables	H	5,940,580	(179)	5,940,401	2,684,719	(19,192)	2,665,527
Amounts due from Subsidiaries		-	-	-	247,737	-	247,737
Amounts due from Associate & Related Companies		93,043	6,905	99,948	55,433	-	55,433
Short Term Deposits	I	8,012,193	717,891	8,730,084	5,392,789	19,192	5,411,981
Cash and Cash Equivalents	J	621,639	119,043	740,682	314,032	-	314,032
		21,786,146	(1,035,873)	20,750,273	12,114,424	(1,026,004)	11,088,420
Assets held for sale		26,895		26,895			
Total Assets		52,120,208	7,491,850	59,612,058	32,327,100	6,298,008	38,625,108
EQUITY AND LIABILITIES							
Equity							
Stated Capital		300,000	-	300,000	300,000	-	300,000
Revaluation Reserves		-	4,827,834	4,827,834	-	2,815,768	2,815,768
Capital Reserves		6,035,128	(5,923,067)	112,061	2,923,650	(2,815,768)	107,882
General Reserve		-	8,210,000	8,210,000	-	8,210,000	8,210,000
Exchange Fluctuation Reserve		-	89,603	89,603	-	-	-
Timber Reserve	K	-	532,597	532,597	-	-	-
Available for Sale Reserve	L	-	6,141,676	6,141,676	-	6,141,729	6,141,729
Revenue Reserves/ Retained Earnings		25,300,673	(7,148,753)	18,151,920	21,718,069	(8,053,721)	13,664,348
Equity attributable to Equity Holders of the Company		31,635,801	6,729,890	38,365,691	24,941,719	6,298,008	31,239,727
Non Controlling Interest		3,160,059	702,134	3,862,193	-	-	-
Total Equity		34,795,860	7,432,024	42,227,884	24,941,719	6,298,008	31,239,727
Non-Current Liabilities							
Interest bearing Loans & Borrowings		705,418	(139,642)	565,776	-	-	-
Deferred Tax Liability	M	480,486	(9,842)	470,644	160,132	-	160,132
Retirement Benefit Obligation		1,038,779	-	1,038,779	109,991	-	109,991
Deferred Income		255,633	51,500	307,133	-	-	-
		2,480,316	(97,984)	2,382,332	270,123	-	270,123
Current Liabilities							
Trade and Other Payables	N	9,524,237	7,619	9,531,856	5,756,828	-	5,756,828
Amounts due to related Companies & Subsidiaries		163,004	153,320	316,324	30,650	-	30,650
Income Tax Payable		1,262,471	-	1,262,471	1,073,202	-	1,073,202
Interest bearing Loans & Borrowings	O	3,894,320	(3,129)	3,891,191	254,578	-	254,578
		14,844,032	157,810	15,001,842	7,115,258	-	7,115,258
Total Equity and Liabilities		52,120,208	7,491,850	59,612,058	32,327,100	6,298,008	38,625,108

43. Reconciliations on transition to new Sri Lanka Accounting Standards (SLFRS/LKAS) (contd.)

43.2. Reconciliation of Financial Position as at 31 March 2012 (date of transition to SLFRS / LKASs)

		GROUP			COMPANY		
		As per SLAS	Effect of transition to SLFRS / LKASs	As per SLFRS / LKASs	As per SLAS	Effect of transition to SLFRS / LKASs	As per SLFRS / LKASs
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Non-Current Assets							
Property, Plant and Equipment	A	14,908,381	(780,908)	14,127,473	3,457,053	(16,061)	3,440,992
Leasehold Properties		334,933	-	334,933	-	-	-
Biological Assets	B	-	2,449,033	2,449,033	-	-	-
Intangible Assets	C	2,332,311	31,016	2,363,327	-	16,061	16,061
Investments In Subsidiaries		-	-	-	37,383,240	-	37,383,240
Investments in Equity Accounted Investees		19,261,422	394,294	19,655,716	8,258,094	-	8,258,094
Long Term Investments	D	641,595	11,583,028	12,224,623	3,000	5,870,952	5,873,952
Goodwill on acquisition		1,377,878	-	1,377,878	-	-	-
Deferred Tax Assets	E	185,061	(106,651)	78,410	10,223	-	10,223
Advance Lease premium		200	-	200	-	-	-
		39,041,781	13,569,812	52,611,593	49,111,610	5,870,952	54,982,562
Currents Assets							
Short Term Investments	F	11,839,602	(10,523,775)	1,315,827	2,534,152	(1,958,608)	575,544
Inventory	G	5,797,830	(12,798)	5,785,032	2,086,176	-	2,086,176
Trade and Other Receivables	H	8,171,167	38,634	8,209,801	3,342,019	(233)	3,341,786
Amounts due from Subsidiaries		-	-	-	754,845	-	754,845
Amounts due from Associate & Related Companies		477,827	(128)	477,699	459,133	-	459,133
Short term Deposits	I	1,308,447	2,848,864	4,157,311	90,443	233	90,676
Cash and Cash Equivalents	J	666,623	130,713	797,336	272,010	-	272,010
		28,261,496	(7,518,490)	20,743,006	9,538,778	(1,958,608)	7,580,170
Assets held for sale		508		508			
Total Assets		67,303,785	6,051,322	73,355,107	58,650,388	3,912,344	62,562,732
EQUITY AND LIABILITIES							
Equity							
Stated Capital		300,000	-	300,000	300,000	-	300,000
Revaluation Reserves		-	5,200,583	5,200,583	-	2,399,091	2,399,091
Capital Reserves		6,184,567	(6,072,506)	112,061	2,506,973	(2,399,091)	107,882
General Reserve			8,210,000	8,210,000		8,210,000	8,210,000
Exchange Fluctuation Reserve		-	349,306	349,306	-	-	-
Timber Reserve	K	-	546,340	546,340	-	-	-
Available for Sale Reserve	L	-	3,833,552	3,833,552	-	3,786,011	3,786,011
Revenue Reserves/ Retained Earnings		30,166,054	(7,142,140)	23,023,914	25,877,916	(8,083,667)	17,794,249
Equity attributable to Equity Holders of the Company		36,650,621	4,925,135	41,575,756	28,684,889	3,912,344	32,597,233
Non Controlling Interest		3,582,991	987,358	4,570,349		-	-
Total Equity		40,233,612	5,912,493	46,146,105	28,684,889	3,912,344	32,597,233
Non-Current Liabilities							
Interest bearing Loans & Borrowings		1,475,103	(154,954)	1,320,149	895,000	-	895,000
Deferred Tax Liability	M	510,862	(24,643)	486,219	-	-	-
Retirement Benefit Obligation		1,104,630	(1,545)	1,103,085	116,105	-	116,105
Deferred Income		241,135	80,972	322,107	-	-	-
		3,331,730	(100,170)	3,231,560	1,011,105	-	1,011,105
Current Liabilities							
Trade and Other Payables	N	11,369,674	44,307	11,413,981	6,704,633	(26,537)	6,678,096
Amounts due to related Companies & Subsidiaries		67,190	160,373	227,563	12,473,128	-	12,473,128
Income Tax Payable		1,287,684	-	1,287,684	956,598	-	956,598
Interest bearing Loans & Borrowings	O	11,013,895	34,319	11,048,214	8,820,035	26,537	8,846,572
		23,738,443	238,999	23,977,442	28,954,394	-	28,954,394
Total Equity and Liabilities		67,303,785	6,051,322	73,355,107	58,650,388	3,912,344	62,562,732

Notes to the Financial Statements

43. Reconciliations on transition to new Sri Lanka Accounting Standards (SLFRS/LKAS) (contd.)

43.3. Reconciliation of Comprehensive Income for the year ended 31 March 2012

	GROUP			COMPANY		
	As per SLAS	Effect of transition to SLFRS / LKASs	As per SLFRS / LKASs	As per SLAS	Effect of transition to SLFRS / LKASs	As per SLFRS / LKASs
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Gross Revenue	63,304,208	(179,313)	63,124,895	49,135,563	-	49,135,563
Net Revenue	27,154,101	(179,313)	26,974,788	15,275,878	-	15,275,878
Cost of Sales, Benefits & Losses	(14,841,176)	75,498	(14,765,678)	(8,422,309)	58,055	(8,364,254)
Gross Profit	12,312,925	(103,815)	12,209,110	6,853,569	58,055	6,911,624
Investment & Other Income	1,426,001	226,841	1,652,842	1,635,598	-	1,635,598
Distribution Expenses	(1,853,791)	(58,778)	(1,912,569)	(199,542)	(58,056)	(257,598)
Administration Expenses	(3,180,838)	3,262	(3,177,576)	(788,656)	(1,165)	(789,821)
Other Operating Gain/(Loss)	(414,333)	(71,568)	(485,901)	(227,850)	(28,497)	(256,347)
Profit from Operations	8,289,964	(4,058)	8,285,906	7,273,119	(29,663)	7,243,456
Finance Expenses	(674,572)	392	(674,180)	(338,067)	-	(338,067)
Share of Profit of Equity Accounted Investees	1,449,067	(84,075)	1,364,992	-	-	-
Profit before Taxation P	9,064,459	(87,741)	8,976,718	6,935,052	(29,663)	6,905,389
Taxation	(2,926,756)	2,444	(2,924,312)	(2,608,238)	-	(2,608,238)
Profit for the year	6,137,703	(85,297)	6,052,406	4,326,814	(29,663)	4,297,151
Other Comprehensive Income						
Net Change in fair value of AFS investments	-	(2,282,353)	(2,282,353)	-	(2,355,718)	(2,355,718)
Acturial Gain / (Losses) on Defined Benefit Plan	-	1,343	1,343	-	(283)	(283)
Revaluation of Freehold Land	-	476,500	476,500	-	-	-
Share of Other Comprehensive Income of Equity-Accounted Investees	-	478,368	478,368	-	-	-
Total Comprehensive Income for the year	6,137,703	(1,411,439)	4,726,264	4,326,814	(2,385,664)	1,941,150
Profit attributable to :						
Owners of the Company	5,675,371	(139,776)	5,535,595	4,326,814	(29,663)	4,297,151
Non Controlling Interest	462,332	54,479	516,811	-	-	-
	6,137,703	(85,297)	6,052,406	4,326,814	(29,663)	4,297,151
Total Comprehensive Income applicable to:						
Owners of the Company	5,675,371	(1,743,359)	3,932,012	4,326,814	(2,385,664)	1,941,150
Non Controlling Interest	462,332	331,920	794,252	-	-	-
	6,137,703	(1,411,439)	4,726,264	4,326,814	(2,385,664)	1,941,150

43 Reconciliations on transition to new Sri Lanka Accounting Standards (SLFRS/LKAS) (contd.)

43.4 Explanation of Transition to New Sri Lanka Accounting Standards (SLASs)

As at,	GROUP 31.03.2012 (Rs.'000)	GROUP 01.04.2011 (Rs.'000)	COMPANY 31.03.2012 (Rs.'000)	COMPANY 01.04.2011 (Rs.'000)
	Effect on Financial Position			

Note A - Property,Plant & Equipment (PPE)

The effect of transitions represents the reclassification of Property, Plant & Equipment into Intangible Assets & Biological Assets.

Reclassified in to Intangible Assets	(31,016)	(20,604)	(16,061)	(16,061)
Reclassified in to Biological assets from PPE	(1,182,890)	(1,011,857)		
Recognised in to PPE due to reassessment of useful life	56,498	60,672	-	-

Note B - Biological Assets

Balangoda Plantation PLC

Immature & Mature Plantations

The tea, rubber and other plantations were measured at cost less depreciation and amortisation or impairment if any, under previous SLAS. , The Company has elected to measure the bearer biological assets i.e. tea & rubber using LKAS 16 – Property Plant & Equipment and continued the cost model of recording them. This measurement does not effect on the net assets in the Statement of Financial position as at 01 January 2011, 31 December 2011 and Comprehensive Income for year ended 31 December 2011.

Consumable Biological Assets - Timber Plantations

LKAS 41 is only applicable for managed agricultural activity thus the fair value of managed trees was ascertained by professionally qualified valuers. As a result, the net assets of opening Statement of Financial Position as at 1 January 2011 increased by Rs.1,376 Mn and 31 December 2011 increased by Rs. 46 Mn. The Comprehensive Income for the year ended 31 December 2011 has been increased by Rs. 31 Mn due to the gain on fair value of biological assets.

As at,	GROUP 31.03.2012 (Rs.'000)	GROUP 01.04.2011 (Rs.'000)	COMPANY 31.03.2012 (Rs.'000)	COMPANY 01.04.2011 (Rs.'000)
	Effect on Financial Position			
Reclassified in to Biological assets from PPE	1,182,890	1,011,857	-	-
Gain on the fair valuation of managed timber	1,266,143	1,234,291	-	-

Note C - Intangible Assets

The Property, Plant & Equipment have been reclassified to Intangible Assets.

As at,	GROUP 31.03.2012 (Rs.'000)	GROUP 01.04.2011 (Rs.'000)	COMPANY 31.03.2012 (Rs.'000)	COMPANY 01.04.2011 (Rs.'000)
	Effect on Financial Position			
Reclassified from PPE	31,016	20,604	16,061	16,061

Note D - Long Term Investments/ Available for Sale Financial Investments

Under previous SLAS, the Company accounted for long term investments measured at cost. Under SLFRS/LKAS, the Company has designated such investments as available-for-sale investments. SLFRS/LKAS requires available-for-sale investments to be measured at fair value. Difference between the fair value under SLFRS/LKAS and carrying value under previous SLAS has been recognised as a separate component of equity, in the available for sale reserve.

The Company has recognised and reclassified these investments as required by LKAS 39 " Financial Instruments - Recognition and Measurement" and subsequent measurement of investments have changed accordingly.

As at,	GROUP 31.03.2012 (Rs.'000)	GROUP 01.04.2011 (Rs.'000)	COMPANY 31.03.2012 (Rs.'000)	COMPANY 01.04.2011 (Rs.'000)
	Effect on Financial Position			
Reclassification and Remeasurement	11,583,028	7,324,010	5,870,952	7,324,012

43 Reconciliations on transition to new Sri Lanka Accounting Standards (SLFRS/LKAS) (contd.)

43.4 Explanation of Transition to New Sri Lanka Accounting Standards (SLASs) (contd.)

Note E - Deferred Tax Asset

The effect of transition on income taxes is due to the temporary difference arisen due to SLFRS convergence is re-measured.

	GROUP		COMPANY	
As at,	31.03.2012	01.04.2011	31.03.2012	01.04.2011
	Effect on Financial Position			
	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)
Impact on Deferred Tax Assets due to SLFRS/LKAS Conversion	27,085	30,852	-	-

Note F - Short Term Investment

Under previous SLAS, the Group accounted for short term investments measured at cost. Under SLFRS/LKAS, the Group has designated such investments as fair value through profit and loss. SLFRS/LKAS requires fair value through profit and loss to be measured at fair value. Difference between the fair value under SLFRS/LKAS and carrying value under previous SLAS has been recognised in the statement of comprehensive income.

Further these assets were previously carried at cost plus transaction costs after providing for falling values of such Investments. The transaction costs included in the carrying value according to previous SLAS was recognised in the profit or loss according to new SLFRS/LKAS.

The Group has recognised and reclassified investments as required by LKAS 39 " Financial Instruments - Recognition and Measurement" and subsequent measurement of investments has been changed accordingly.

	GROUP		COMPANY	
As at,	31.03.2012	01.04.2011	31.03.2012	01.04.2011
	Effect on Financial Position			
	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)
Impact on Financial Assets due to movement in fair value	(90,067)	(1,087,459)	(1,958,608)	(1,026,004)
Deposits Reclassified in to Short Term Deposits	(2,838,340)	(692,140)	-	-
Reclassified in to Long Term Investments	(7,595,368)	-	-	-

Note G - Inventory

Balangoda Plantation PLC

Changes of classification to Nursery Stocks

The tea, rubber and other nurseries were classified as Inventory under previous SLAS. Since the living plants scoped under the definition of Biological Assets in terms of LKAS 41, those nurseries were classified as biological assets. This classification does not effect on the net assets in the Statement of Financial Position as at 01 January 2011, 31 December 2011 and Comprehensive Income for year ended 31 December 2011.

	GROUP		COMPANY	
As at,	31.03.2012	01.04.2011	31.03.2012	01.04.2011
	Effect on Financial Position			
	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)
Nursery Stock reclassified in to Biological Assets	(12,798)	(74,073)	-	-

43 Reconciliations on transition to new Sri Lanka Accounting Standards (SLFRS/LKAS) (contd.)

43.4 Explanation of Transition to New Sri Lanka Accounting Standards (SLASs) (contd.)

Note H - Trade & Other Receivables

	GROUP		COMPANY	
As at,	**31.03.2012**	**01.04.2011**	**31.03.2012**	**01.04.2011**
		Effect on Financial Position		
	(Rs.'000)	**(Rs.'000)**	**(Rs.'000)**	**(Rs.'000)**
Reclassified from Other Assets to Co - Insurance Receivables as per SLFRS 4	-	17,671	-	-
Amortised cost adjustment to Fixed & Term Deposits	(14,193)	(26,572)	(233)	-
Costs related to Insurance Contracts classified under deferred expenses as per SLFRS 4	54,064	18,965	-	-
Adjustment due to the fair value of Trade & Other Receivables	-	409	-	-

Note I - Short Term Deposits

As required by LKAS 39, short term deposits should be stated at the amortised cost using the effective interest rate. Under the previous version of SLAS the interest receivable as of the reporting date was stated under Trade and other receivables. The interest receivable amount being amortised to the statement of comprehensive income is recognised under Short Term Deposit.

	GROUP		COMPANY	
As at,	**31.03.2012**	**01.04.2011**	**31.03.2012**	**01.04.2011**
		Effect on Financial Position		
	(Rs.'000)	**(Rs.'000)**	**(Rs.'000)**	**(Rs.'000)**
Change in fair value of Short Term Deposits	-	743	-	-
Amortised cost adjustment to Short Term Deposits	4,087	2,563	233	19,192
Reclassified in to Short Term Investments	2,838,340	692,130	-	-

Note J - Cash & Cash Equivalents

	GROUP		COMPANY	
As at,	**31.03.2012**	**01.04.2011**	**31.03.2012**	**01.04.2011**
		Effect on Financial Position		
	(Rs.'000)	**(Rs.'000)**	**(Rs.'000)**	**(Rs.'000)**

The Movement represents the reclassification of short term deposits to cash & cash equivalents.

Classified from Short Term Deposits	130,037	121,141	-	-

Note K - Recognition of Timber Reserve

LKAS 41 is only applicable for managed agricultural activity thus the fair value of managed trees was ascertained by professionally qualified valuers. As a result , gain on the valuation of these trees has been separately shown as timber reserve at each reporting date as follows as per LKAS 41.

	GROUP		COMPANY	
As at,	**31.03.2012**	**01.04.2011**	**31.03.2012**	**01.04.2011**
		Effect on Financial Position		
	(Rs.'000)	**(Rs.'000)**	**(Rs.'000)**	**(Rs.'000)**
Impact due to the movement in fair value	546,340	532,597	-	-

Note L - Recognition of AFS Reserve

Under previous SLAS, the Group carried certain long term investments at cost. However, in accordance with LKAS 39 Financial Instruments,these investments were classified as available for sale investments and have been measured at fair value using active market prices at each reporting date as follows.

Notes to the Financial Statements

43 Reconciliations on transition to new Sri Lanka Accounting Standards (SLFRS/LKAS) (contd.)

43.4 Explanation of Transition to New Sri Lanka Accounting Standards (SLASs) (contd.)

Note L - Recognition of AFS Reserve (Contd.)

The difference between the fair value under SLFRS / LKAS and cost has been recognised as a separate components of equity in the available for sale reserve in accordance with LKAS 39.

	GROUP		COMPANY	
As at,	**31.03.2012**	**01.04.2011**	**31.03.2012**	**01.04.2011**
	Effect on Financial Position			
	(Rs.'000)	**(Rs.'000)**	**(Rs.'000)**	**(Rs.'000)**
Impact on Financial Assets due to movement in fair value	3,833,552	6,141,676	3,786,011	6,141,729

Note M - Deferred Tax Liability

The effect of transition on Deferred Tax Liabilities is due to the temporary difference arisen due to SLFRS convergence is re-measured.

	GROUP		COMPANY	
As at,	**31.03.2012**	**01.04.2011**	**31.03.2012**	**01.04.2011**
	Effect on Financial Position			
	(Rs.'000)	**(Rs.'000)**	**(Rs.'000)**	**(Rs.'000)**
Impact on Deferred Tax Assets due to SLFRS/LKAS Conversion	109,093	**115,305**	**-**	**-**
Note N - Trade & Other Payables				
Amortised cost adjustment to Loans (LKAS 39)	(26,539)	-	(26,537)	
Costs related to Insurance Contracts classified under deferred expenses as per SLFRS 4	54,065	18,964	-	-
Recognition of Preference dividend under Finance Cost (Note 27.3)	3,478	2,213	-	-

Note O - Interest Bearing Loans & Borrowings

As required by LKAS 39, Interest bearing Loans and Borrowings should be stated at the amortised cost using the effective interest rate. Under the previous version of SLAS the interest payable as of the reporting date was stated under Trade and other payables. The interest payable amount being amortised to the statement of comprehensive income is recognised under interest bearing loans and borrowings.

Amortised cost adjustment to Loans	26,540		26,537	
Preference shares classified as Short Term Borrowings (Note 27.3)	12,646	12,645	-	-

Note P - Impact to the Profit Before Tax

The followings explain the effects of transition from SLAS to SLFRS/LKAS on the Profit Before Tax of the Group and Company.

For the year ended 31 March,		**GROUP 2012**	**COMPANY 2012**
		Effect on Comprehensive Income	
		(Rs.'000)	**(Rs.'000)**
Adjustment due to the change in Fair value of investments at FVTPL (Note F)	**d**	(65,454)	(28,497)
Preference dividend recognised under finance cost (Note O)	**e**	(1,265)	-
Acturial gain/loss on Retirement Benefit Obligation recognised in OCI	**b, d**	1,343	282
Transaction cost on FVTPL Investments	**d**	(1,448)	(1,448)
Revenue recognition due to the change in recognision criteria as per LKAS 32	**a**	29,242	-
Recognision (in to) / from Cost of Sales	**b**	17,443	-
Additional Depreciation due to the change in useful life	**b, d**	(2,041)	-
Net change in fairvalue of Biological Assets (Note B)	**d**	31,849	-
Change in Equity Accounted Investees profit due to SLFRS adjustments	**f**	(84,154)	-

(a) Revenue (b) Cost of Sales (c) Investment & Other Income (d) Operating Expenses (e) Finance Expenses (f) Share of Profit of Associates

The effect on transition, other than those mentioned above relate to reclassification of balances to be in compliance with SLFRS/LKAS.

Statement of Value Added

1913-2013 100 years

For the Year Ended 31 March	GROUP 2013 Rs. '000	GROUP 2012 Rs. '000	COMPANY 2013 Rs. '000	COMPANY 2012 Rs. '000
Gross Turnover	65,790,460	63,124,895	51,548,909	49,135,563
Other Operating Income	680,119	616,195	3,830,490	893,141
Interest/ Dividend Income	1,082,262	1,036,647	534,987	742,457
Share from Profit of Equity Accounted Investees	1,291,749	1,364,992	-	-
Value Added	68,844,590	66,142,729	55,914,386	50,771,161

Distributed as follows

	2013 Rs. '000	As a % of Total	2012 Rs. '000	As a % of Total
GROUP				
To the State as Taxes	39,843,748	57.87	39,077,522	59.08
Other Operating Expenses	16,281,792	23.65	15,017,435	22.70
To Employees	3,194,238	4.64	3,154,680	4.77
To Providers of Capital	1,652,681	2.40	682,103	1.03
To Shareholders	900,000	1.31	900,000	1.36
Retained within the business				
As Depreciation	1,700,128	2.47	1,683,708	2.55
As Retained Profit	5,272,003	7.68	5,627,281	8.51
	68,844,590	100.00	66,142,729	100.00
COMPANY				
To the State as Taxes	36,482,375	65.25	36,471,922	71.84
To Employees	1,039,048	1.86	1,080,257	2.13
To Providers of Capital	1,376,919	2.46	338,067	0.67
To Shareholders	900,000	1.61	900,000	1.77
Operating Costs	9,120,718	16.31	8,143,369	16.04
Retained within the business				
As Depreciation	158,678	0.28	188,047	0.37
As Retained Profit	6,836,648	12.23	3,649,499	7.18
	55,914,386	100.00	50,771,161	100.00

Details of Real Estate

Location		Lands Extent A	R	P	Buildings No of Units	Floor Area In (Sq. Ft.)	VALUE Cost/Revaluation Rs. 000
Distilleries Company of Sri Lanka PLC							
Ambalantota	Wholesale Outlet	-	1	29.02	5	7,657.00	28,710
Colombo 10	Head Office	1	1	13.70	6	30,000.00	647,765
Dankotuwa		2	2	5.00	8	11,458.74	22,045
Kaithadi		2	-	11.52	-	-	13,000
Kalutara	No. 2 Warehouse / Premises No. 14 & 16	1	3	8.41	21	22,512.25	60,950
Kalutara		1	-	23.00	-	-	14,000
Kandy	Mawilmada Land	2	-	-	-	-	22,200
Negombo	Wholesale Outlet	-	1	28.75	3	6,766.25	75,280
Seeduwa	No. 3 Warehouse & Housing Complex	15	2	16.08	7	46,943.92	886,686
Seeduwa	New W/H, Old W/H & Distillery	5	2	14.74	27	100,961.83	319,562
Melsta Properties (Pvt) Limited							
Badulla	Warehouse	-	2	8.64	8	6,969.00	13,519
Batticaloa	Wholesale Outlet	3	-	10.84	4	12,446.00	51,999
Dickoya	Wholesale Outlet	-	3	9.60	4	12,194.50	6,759
Gampola	Wholesale Outlet	-	3	38.80	5	6,280.00	33,279
Jaffna		1	-	21.60	-	-	11,439
Kalutara	No. 1 Warehouse	4	-	33.38	17	65,858.00	145,599
Kalutara	Teak Stores / Warehouse	1	-	32.82	10	13,899.25	20,799
Marawila	Toddy Collection Centre	2	-	-	5	7,549.27	16,639
Mirishena	Warehouse	-	3	28.32	10	12,036.60	20,799
Trincomalee	Wholesale Outlet	-	1	38.64	4	6,110.00	36,399
Vauniya	Wholesale Outlet	-	3	33.69	10	17,785.78	44,719
Melstacorp Limited							
Anuradhapura	Wholesale Outlet	-	3	21.46	3	8,401.00	89,514
Badulla	Warehouse	-	3	37.20	1	1,522.00	6,030
Beruwala	Warehouse	2	1	19.08	12	15,279.50	125,548
Colombo 14	Warehouse	2	1	14.10	8	86,500.00	410,799
Galle	Wholesale Outlet	-	1	37.00	4	9,879.00	36,711
Katugastota	Warehouse	-	2	27.50	6	11,798.50	38,167
Katugastota	Wholesale Outlet	5	-	3.84	11	28,385.00	123,135
Kurunegala	Wholesale Outlet	-	2	29.00	2	9,519.00	48,879
Ranala - Nawagamuwa	Industrial Building	10	-	-	7	83,094.50	231,815
Ratmalana	Wholesale Outlet	1	-	28.20	4	30,871.00	178,567
Seeduwa	Factory Complex	-	-	19.75	-	-	1,559
Seeduwa	Factory Complex	-	1	2.55	1	18,920.00	62,087
Seeduwa	Factory Complex	-	1	20.50	1	3,096.00	15,079
Seeduwa	Factory Complex	-	3	22.60	1	1,835.00	19,031
Seeduwa	Factory Complex	-	-	36.25	-	-	7,539
Lanka Bell Limited							
Minuwangoda	Warehouse & Switch	1	3	35.35	2	20,920.00	93,490
Texpro Industries Limited							
Embulgama	Factory	-	2	-			4,000
Ranala	Factory	6	-	6.05	5	92,537.00	173,889
Browns Beach Hotels PLC							
Negombo	Hotel Complex-Under Constructions	6	-	37.52	1	180,000.00	856,500
Pelwatte Sugar Industries PLC							
Colombo 04	Head Office	-	-	32.30	1	-	121,125
Monaragala	Stores	1	2	-	-	-	15,749

Shareholder Information

1. Stock Exchange Listing

The Issued Ordinary Shares of the Company are listed with the Colombo Stock Exchange.
Ticker Symbol - DIST.N0000
Market Sector - Beverage, Food & Tobacco

2. Distribution of Shareholding

	31 March 2013			31 March 2012		
Holding	No. of Shareholders	Total Holding	% Holding	No. of Shareholders	Total Holding	% Holding
1 - 1000	**9,136**	**3,136,683**	**1.05**	9,446	3,360,687	1.12
1,001 - 10,000	**1,879**	**6,342,024**	**2.11**	2,060	7,055,729	2.35
10,001 - 100,000	**308**	**8,737,877**	**2.91**	337	9,849,000	3.28
100,001 - 1,000,000	**55**	**16,413,148**	**5.47**	73	21,725,915	7.24
Over 1,000,000	**24**	**265,370,268**	**88.46**	21	258,008,669	86.00
Grand Total	**11,402**	**300,000,000**	**100.00**	11,937	300,000,000	100.00

3. Analysis of Shareholding

	No. of Shareholders	Holding	% of Holding
Individuals	11,087	71,990,797	24%
Institutions	315	228,009,203	76%
	11,402	300,000,000	100%
Resident	11,243	236,949,593	79%
Non-Resident	159	63,050,407	21%
	11,402	300,000,000	100%

4. Market Price

	31 March 2013 (Rs.Per Share)	31 March 2012 (Rs.Per Share)
Last Traded	**166.50**	145.00
Highest	**190.00**	191.00
Lowest	**117.00**	100.00

Share Price Performance

Shareholder Information

5. Twenty Largest Shareholders

	As at 31 March	2013		2012	
		No of Shares	% of issued Capital	No of Shares	% of issued Capital
1	Milford Exports (Ceylon) Limited	124,470,500	41.49	124,470,500	41.49
2	Lanka Milk Food (C.W.E.) PLC	37,961,500	12.65	37,961,500	12.65
3	Mr. Muzaffar Ali Yaseen	33,238,000	11.08	32,388,000	10.8
4	Mrs. Lorraine Estelle Marlene Yaseen	14,650,500	4.88	16,400,000	5.47
5	Melstacorp Limited	8,650,732	2.88	7,739,366	2.58
6	HSBC International Nominees Ltd- MSCO-Route One Fund 1 L.P	5,056,661	1.69	-	-
7	HSBC Intl Nom Ltd-MSCO-Route One Offshore Master	4,824,190	1.61	-	-
8	Commercial Bank of Ceylon PLC/L.E.M.Yaseen	4,750,000	1.58	4,750,000	1.58
9	Lahugala Plantation (Pvt) Ltd	4,511,795	1.50	4,111,795	1.37
10	Caceis Bank Luxembourg S/A Barca Global Masrer Fund LP	3,713,286	1.24	4,951,026	1.65
11	Mrs. Shantha Marie Chrysostom	2,847,500	0.95	3,047,000	1.02
12	Northern Trust CO S/A National Westminister Bank PLC as Trust	2,800,000	0.93	2,800,000	0.93
13	Stassen Exports Limited	2,114,200	0.70	2,114,200	0.7
14	Sri Lanka Insurance Life Fund	1,953,850	0.65	2,320,200	0.77
15	Mr. Don Hasitha Stassen Jayawardena	1,882,833	0.63	1,882,833	0.63
16	HSBC International Nominees Limited -MSNY-Bay Pond	1,840,283	0.61	1,840,283	0.61
17	Aitken Spence Aviation (Pvt) Limited	1,500,000	0.50	1,500,000	0.5
18	Mr. Kenneth Rudy Kamon	1,404,400	0.47	1,404,400	0.47
19	MCSEN Range Private Limited	1,364,966	0.45	1,364,966	0.45
20	Mellon Bank N.A – Frontier Market Select Fund II L.P	1,321,300	0.44	-	-
	TOTAL	260,856,496	86.93	251,046,069	83.67

Percentage of Shares held by the public : 29.53%

Ten Year Summary

1913-2013
100 years

In Rs. Mn - Company	2013*	2012*	2011	2010	2009	2008	2007	2006	2005	2004
Results										
Gross Turnover	51,548.9	49,135.6	38,987.1	29,964.1	29,569.8	27,416.0	22,653.1	18,399.7	14,391.8	12,257.6
Excise Duty	34,087.5	33,859.7	25,464.4	18,979.0	18,339.2	16,458.0	14,020.3	11,263.9	9,235.4	8,059.8
Net Turnover	17,461.4	15,275.9	13,522.7	10,985.0	11,230.5	10,958.0	8,632.8	7,135.8	5,156.4	4,197.8
Profit/(Loss) before tax	9,275.9	6,905.4	9,972.0	4,004.5	3,977.9	3,014.9	2,826.6	2,480.7	1,762.1	1,938.6
Profit/(Loss) after tax	6,872.7	4,297.2	7,768.7	2,815.0	2,682.4	1,981.6	1,868.9	1,807.6	1,247.8	1,625.6
Funds Employed										
Stated Capital	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0
Capital Reserves	2,160.1	2,506.9	2,923.6	107.9	107.9	107.9	107.9	107.9	107.9	107.9
Revenue Reserves	36,695.0	29,790.3	21,718.0	14,849.3	12,709.3	10,551.8	8,708.1	7,019.2	5,361.6	4,263.9
Shareholders Funds	39,155.1	32,597.2	24,941.7	15,257.2	13,117.2	10,959.7	9,116.0	7,427.1	5,769.5	4,671.8
Total Borrowings	8,576.0	9,741.5	254.6	76.2	920.1	2,648.1	1,634.0	2,221.2	1,500.6	3,026.1
Non Current Liabilities net of Borrowings	115.4	116.1	270.1	111.4	171.5	109.6	88.0	99.2	90.7	92.5
Current Liabilities net of Borrowings	8,095.6	20,107.8	6,860.7	5,159.9	4,785.2	4,662.9	4,279.9	3,390.6	2,135.3	1,779.7
	55,942.1	62,562.6	32,327.1	20,604.7	18,994.0	18,380.1	15,118.0	13,138.1	9,495.1	9,570.1
ASSETS EMPLOYED										
Non-current Assets	45,534.2	54,982.5	20,212.7	14,024.6	12,840.9	12,302.9	10,383.5	10,398.5	7,619.1	7,594.3
Current Assets	10,407.9	7,580.1	12,114.4	6,580.1	6,153.1	6,007.5	4,734.4	2,739.6	1,876.0	1,975.8
	55,942.1	62,562.6	32,327.1	20,604.7	18,994.0	18,310.4	15,117.9	13,138.1	9,495.1	9,570.1
CASHFLOW										
Net Cashflow from Operating activities	3,148.9	1,954.9	4,275.1	2,692.7	1,881.7	2,509.3	1,118.2	1,974.1	1,774.3	667.8
Net Cashflow from Investing activities	(689.3)	(16,037.3)	1,247.0	(661.2)	(35.6)	(3,041.8)	(48.4)	(2,662.4)	(12.2)	(3,943.7)
Net Cashflow from Financing activities	(1,535.6)	1,147.0	(875.8)	(675.0)	(525.0)	(465.0)	(169.7)	(149.7)	(146.4)	(134.1)
Net increase/(decrease) in cash & cash equivalents	924.0	(12,935.4)	4,646.3	1,356.5	1,321.1	(997.5)	900.1	(838.0)	1,615.7	(3,410.0)
Earnings per share (Rs.)**	10.68	11.85	15.08	9.38	8.90	6.60	6.20	6.00	4.20	5.40
Net Assets per share (Rs.)	130.52	108.66	83.14	50.86	43.70	36.50	30.40	24.80	19.20	15.60
Market Value per share (Rs) year end	166.50	145.00	180.00	118.00	65.00	98.00	105.00	35.00	32.00	22.00
Return on Shareholders' Funds	8%	11%	31%	18%	21%	18%	21%	24%	22%	35%
Dividends Per share (Rs.)	3.00	3.00	3.00	2.50	2.25	1.75	1.55	0.60	0.50	0.50
Dividend Payout	28%	25%	20%	27%	25%	27%	25%	10%	12%	9%
Dividend Yield	2%	2%	2%	2%	3%	2%	1%	2%	2%	2%

*The figures are derived from financial statements prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) for the years ended 31 March 2013 and 2012. Figures for the remaining periods are derived from financial statements prepared in accordance with previous version of Sri Lanka Accounting Standards (SLAS).

** For the purpose of calculation of EPS for the years ended 31 March 2013 and 31 March 2012, the Company profit has been adjusted for intra-group capital gain on share transfer.

DCSL Management Team

Head Office

Chief Executive Officer	Maximus R. Peries *B.Sc. (Eng), MBA (Merit), LLB (Hons) London, C. Eng. MIEE (London)*

Finance Division

Head of Finance	Nimal Nagahawatte *B.Sc.*
Asst. Finance Manager	Suranjan Lakmanaratchi
Asst. Finance Manager	Justin Algama *B.Sc., Dip. Acc.*
Asst. Manager (IT)	Ms. P. Gamagedara *Dip. (NIBM), AACS*

Supplies Division

Head of Procurement	S. Rajanathan

Internal Audit Division

Chief Internal Auditor	L. P. Liyanaarachchi *FCA, FCMA, Dip.Acc.*

Investigation Unit

Director - Investigations	Alfred Wijewardene *DIG (Retd.)*
Dy. Director - Investigations	A.X. Clarence Motha *ASP (Retd.)*
Dy. Director - Investigations	G.U.J. Vithanage *SSP (Retd.)*

Company Secretarial & Legal Division

Company Secretary & Chief Legal Officer	Ms. V.J. Senaratne *Attorney-At-Law & N.P., Solicitor (Eng. & Wales)*

Human Resources Division

Head of Human Resources	Ms G. Chakravarthy *LLB, Attorney-At-Law*
Asst. Manager - Human Resources	Ms U. R. Edirisinghe *MBA (Sri J), B.Sc. (HRM)Sp*
Asst. Manager - Human Resources	T.S. Morawaka *B.Sc. (Mgt)Sp (Joined w.e.f. 08 Apr 2013)*
Asst. Administration & Personnel Manager	L.S.R. Nishantha *MBA (Col), B.Sc. (Bus.Ad), NDHRM (IPM) (Resigned w.e.f. 31 Mar 2013)*

Consultant	J. R. de Crusz *(Retd. Dy. Commissioner of Excise)*

Transport Division

Head of Transport & Logistics	Roshanth Kumar Perera

Stock Control Division

Head of Inventory Management	Lalith Ratnayake *MBA (WUSL), B.Sc. (B.Ad)Sp*

Regional Offices

Northern Region - Seeduwa

Actg. Regional Manager	Maj. R. M. Cabraal *(Retd.)*
Deputy Regional Manager	Col. A. M. B. Peiris *(Retd.) RWP, MHRP, MBA (Sri J)*
Deputy Regional Manager	Cdr. C.M. Gunanayagam *(Retd.) (Joined w.e.f. 01 Nov 2012)*
Head of Analytical Division	T. D. Ekmon *B.Sc. (Hons), M.I.Chem C, Chartered Chemist*
Group Security Manager	R. M. L. N. Bandara *MBA (USA)*
Chief Engineer	M. N. Perera
Consultant	K. Sivarajah *B.Sc. (Cey), MSc. (UK), F.I Chem. C, Chartered Chemist, (Retd. Govt. Analyst)*
Senior Production Manager	Capt. K.G.N.S. Senanayake *SLN (Retd.), MDS, B.Sc. (Joined w.e.f. 01 July 2013)*
Production Manager	S. G. Bandula Silva *B.Sc.*
Senior Chemist	S. M. Sumanasekera *B.Sc., MSc. (Food Science and Technology) I Chem*
Accountant	K. W. N. V. Fernando *B.Com., MAAT, PGDED*
Distillery	Seeduwa
Warehouses	New Warehouse, No 3 Warehouse, Old Warehouse
Wholesale Outlets	Peliyagoda (W), Peliyagoda (S), Rajakadaluwa, Negombo, Anuradhapura, Kurunegala

Southern Region - Kalutara

Regional Manager	Maj. Gen. Siri Peiris *(Retd.) RSP, VSV, USP, IG*
Deputy Regional Manager	Col. D. J. R. Rupasinghe *(Retd.) RSP, IG*
Senior Production Manager	A. D. Amaradeva
Chemist	A. A. D. C. Suranga Algama *B.Sc*
Accountant	Ms Amali Bandara
Asst. Engineer	H. P. D. P. Mangala Gunasekara
Distillery	Beruwala
Warehouses	Kalutara No 01 & Kalutara No 02, Teak Store, Mirishena
Wholesale Outlets	Kalutara, Ratmalana, Ambalantota, Galle, Kuruwita

Central Region - Kandy

Regional Manager	Brig. Aruna Wijewickrama USP *(Retd.), PQHRM (IPM) (Joined w.e.f. 06 June 2013)*
	Rear Admiral Wasantha Tennekoon *SLN (Retd.) RSP, VSV, USP, ndc, psn, MSc.(D&SS), DISS (USA), MRIN (Lond) (Resigned w.e.f. 06 July 2013)*
Senior Deputy Regional Manager	Capt. R.A.U. Chula Ranasinghe *SLN (Retd.) (Joined w.e.f. 01 May 2013)*
Deputy Regional Manager	D. V. R. Mallawarachchi *BBA (US), BA (DS) (Resigned w.e.f.17 May 2013)*
Snr. Production Manager	V. Jeiyachandiran *B.Sc. (Hons)*
Production Manager	N. Thiranagama *B.Sc.*
Consultant	W. W. M. S. U. Wijayarathna *B.Sc. (Hons), M.Phil, Chartered Chemist*
Civil Engineer	A. M. A. J. B. Abeykoon
Asst. Accountant	Mrs W. M. P. Perera
Warehouse	Nawayalatenna
Wholesale Outlets	Katugastota, Gampola, Vavuniya, Batticaloa, Minneriya, Dickoya, Trincomalee, Jaffna

Uva Region - Badulla

Regional Manager	Capt. Ranjith Wettewa *SLN (Retd.) RSP, P.S.N.*
Warehouse	Badulla
Wholesale Outlet	Badulla

Group Management Division

Group Financial Controller	Cleetus Mallawaarachchi *FCA, FCMA MBA (UoC)*

Group Directory

1913-2013
100
years

Beverage

Periceyl (Pvt) Limited

Board of Directors
D. H. S. Jayawardena – *Chairman*
R. K. Obeyesekere
C. R. Jansz
S.K.S.D. Amarathunga
A. L. Gooneratne

Secretary Ms. V. J. Senaratne

Registered Office
110, Norris Canal Road, Colombo 10
Tel: (94-11) 2808565 Fax: (94-11) 5551777

Co. Reg. No. PV 5529

Auditors Messrs Ernst & Young (Chartered Accountants)

Plantation

Balangoda Plantations PLC

Board of Directors
D. H. S. Jayawardena – *Chairman/Managing Director*
R. K. Obeyesekere
C. R. Jansz
S. K. L. Obeyesekere
Dr. A. Shakthevale
D. S. K. Amarasekera
A. L. Gooneratne

Secretary P. A. Jayatunga

Registered Office
110, Norris Canal Road, Colombo 10
Tel: (94-11) 2522871-2 Fax: (94-11) 2522913

Co. Reg. No. PQ 165

Auditors Messrs Ernst & Young (Chartered Accountants)

Telecommunication

Lanka Bell Limited

Board of Directors
D. H. S. Jayawardena – *Chairman*
T. K. D. A. P. Samarasinghe – *Managing Director*
C. R. Jansz
M. R. Peries
D. S. C. Mallawaarachchi
A. L. Gooneratne

Secretary Ms. C. M. Chandrapala

Registered Office
344, Galle Road, Colombo 03.
Tel: (94-11) 5335000 Fax: (94-11) 5545988

Co. Reg. No. PB 306

Auditors Messrs KPMG (Chartered Accountants)

Telecom Frontier (Pvt) Limited

Board of Directors
D. H. S. Jayawardena – *Chairman*
T. K. D. A. P. Samarasinghe – *Managing Director*
M. R. Peries
D. S. C. Mallawaarachchi
A. L. Gooneratne

Secretary Ms. C. M. Chandrapala

Registered Office
No: 344, Galle Road, Colombo 3
Tel: (94-11) 5335000

Co. Reg. No. PV 61396

Auditors Messrs Amarasekara & Company (Chartered Accountants)

Group Directory

Telecommunication (contd.)

Bell Solutions (Pvt) Limited

Board of Directors
D. H. S. Jayawardena – *Chairman*
T. K. D. A. P. Samarasinghe – *Managing Director*
M. R. Peries
D. S. C. Mallawaarachchi
A. L. Gooneratne

Secretary Ms. C. M. Chandrapala

Registered Office
No: 344, Galle Road, Colombo 3
Tel: (94-11) 5335000

Co. Reg. No. PV 61398

Auditors Messrs Amarasekara & Company (Chartered Accountants)

Diversified Holdings

Melstacorp Limited

Board of Directors
D. H. S. Jayawardena – *Chairman*
R. K. Obeyesekere
C. R. Jansz
C. F. Fernando
Dr. N. Balasuriya
N. de. S. Deva Aditya
Capt. K. J. Kahanda (Retd.)
A. L. Gooneratne
Ms. V. J. Senaratne *(Alternate to N. de. S. Deva Aditya)*

Secretaries P. W. Corporate Secretarial (Pvt) Limited

Registered Office
110, Norris Canal Road, Colombo 10
Tel: : (94-11) 5696794
Web www.melsta.com

Co. Reg. No. PV 11755 PB

Auditors Messrs KPMG (Chartered Accountants)

Milford Holdings (Pvt) Limited

Board of Directors
D. H. S. Jayawardena – *Chairman*
R. K. Obeyesekere
C. R. Jansz
Capt. K. J. Kahanda (Retd.)

Secretaries P. W. Corporate Secretarial (Pvt) Limited

Registered Office
110, Norris Canal Road, Colombo 10
Tel: (94-11) 2695295-7 Fax: (94-11) 2696360

Co. Reg. No. PV 5944

Auditors Messrs KPMG (Chartered Accountants)

Browns Beach Hotels PLC

Board of Directors
D. H. S. Jayawardena – *Chairman*
M. V. Theagarajah
J. M. S. Brito
S. M. Hapugoda
T. D. U. D. Peiris
A. L. Gooneratne *(Appointed w.e.f. 01/09/2012)*

Secretaries Aitken Spence Corporate Finance (Private) Limited

Registered Office
315, Vauxhall Street, Colombo 02

Co. Reg. No. PQ 202

Auditors Messrs KPMG (Chartered Accountants)

Diversified Holdings (contd.)

Texpro Industries Limited
Timpex (Pvt) Limited

Board of Directors
D. H. S. Jayawardena – *Chairman*
J. D. Peries – *Managing Director*
C. R. Jansz *(Resigned w.e.f. 25/07/2012)*
H. I. Munasingha
A. L. Gooneratne *(Appointed w.e.f. 23/04/2012)*
D. S. C. Mallawaarachchi

Secretaries SSP Corporate Services (Pvt) Limited

Registered Office
1st Floor, Lakshman's Building, 321,
Galle Road, Colombo 3
Tel: (94-11) 2565951

Co. Reg. No. PB 748

Auditors Messrs KPMG (Chartered Accountants)

Melsta Logistics (Pvt) Limited

Board of Directors

A. L. Gooneratne – *Chairman*
S. U. K. M. B. Galagoda *(Resigned w.e.f. 30/11/2012)*
A. M. J. Abeysinghe
T. Q. Fernando
M. R. Peries *(Appointed w.e.f. 01/05/2013)*
D. S. C. Mallawarachchi *(Appointed w.e.f. 01/05/2013)*

Secretaries P. W. Corporate Secretarial (Pvt) Limited

Registered Office
160, Negombo Road, Seeduwa
Tel: (94-11) 5223300 Fax: (94-11) 5223322
Web: www.crc.lk

Co. Reg. No. PV 14051

Auditors Messrs Amarasekara & Company (Chartered Accountants)

Continental Insurance Lanka Ltd.

Board of Directors
A. S. Abeyewardene
G. D. C. de Silva
S. U. K. M. B. Galagoda *(Resigned w.e.f. 30/11/2012)*
C. F. Fernando
H. Wickramasinghe
A. L. Gooneratne

Secretaries P. W. Corporate Secretarial (Pvt) Limited

Registered Office
79, Dr. C. W. W. Kannangara Mawatha, Colombo 07
Tel : (94-11) 5200300

Co. Reg. No. PB 3784

Auditors Messrs KPMG (Chartered Accountants)

Group Directory

Diversified Holdings (contd.)

Splendor Media (Pvt) Limited

Board of Directors
C. P. Abeywickrema - *Chairman*
Ms. G. Chakravarthy
N. N. Nagahawatte
O. A. R. P. Obeysinghe
P. Hennayake *(Appointed on 22/03/2013)*
Ms. S. Jayawardena *(Appointed on 01/05/2013)*
A. P. L. Fernando *(Appointed on 21/06/2013)*
D. A. D. V. Gunasekera *(Resigned w.e.f.15/05/2013)*

Secretaries P. W. Corporate Secretarial (Pvt) Limited

Registered Office
110, Norris Canal Road, Colombo 10
Tel: (94- 11) 5 639 501 Fax: (94-11) 5 373 344

Co. Reg. No. PV1230

Auditors Messrs KPMG (Chartered Accountants)

Bogo Power (Pvt) Limited

Board of Directors
D. H. S. Jayawardena – *Chairman*
Dr. N.M. Abdul Gaffar
S. K. L. Obeyesekere
A.L. Gooneratne

Secretary P. A. Jayatunga

Registered Office
833, Sirimavo Bandaranaike Mawatha, Colombo 14
Tel: (94-11) 2522871-2 Fax: (94-11) 2522913

Co. Reg. No. PV 64901

Auditors Messrs Ernest & Young (Chartered accountants)

Bellvantage (Pvt) Limited

Board of Directors
D. H. S. Jayawardena – *Chairman*
A. L. Gooneratne – *Managing Director*
Y. D. B. Guneratne*(Resigned w.e.f. 30/06/2013)*
O. A. R. P. Obeysinghe
P. Karunanayake
P. S. Suriyaarachchi *(Resigned w.e.f. 30/04/2013)*
D. A. C. Peiris *(Resigned w.e.f. 01/04/2013)*
Ms. F. F. S. Sulaiman

Secretaries P. W. Corporate Secretarial (Pvt) Limited

Registered Office
33, Park Street, Colombo 02
Tel: (+94-11)-5753753 Fax: (+94-11)-5753754
E-mail : sales@bellvantage.com
Web : www.bellvantage.com

Co. Reg. No. PV 65022

Auditors Messrs Amarasekara & Company (Chartered Accountants)

Melsta Regal Finance Limited

Board of Directors
A. L. Gooneratne – Chairman *(Appointed on 17/05/2012)*
D.M.N.P. Karunapala- CEO *(Appointed on 24/05/2012)*
L.P Liyanarachchi
N. A. Rodrigo *(Appointed on 01/10/2012)*
K.D. Bernard *(Appointed on 01/10/2012)*
S. J. D. Coorey *(Appointed on 01/10/2012)*
D. S. C. Mallawaarachchi *(Appointed on 01/10/2012)*
J. M. T. Galgamuwa *(Appointed on 01/10/2012)*
S. A.Atukorale *(Appointed on 01/10/2012)*
D. J. S Algama *(Resigned w.e.f. 27/09/2012)*
P. Karunanayake *(Resigned w.e.f. 27/09/2012)*
S. Rajanathan *(Resigned w.e.f. 27/09/2012)*
O. A. R. P. Obeysinghe *(Resigned w.e.f. 27/09/2012)*

Secretaries P. W. Corporate Secretarial (Pvt) Limited

Registered Office
110, Norris Canal Road, Colombo 10
Tel: (94-11) 268 2742-3, 5288571 Fax: (94-11) 268 2741
Web : www.melstaregalfinance.lk

Co. Reg. No. PB 878

Auditors Messrs KPMG (Chartered Accountants)

Diversified Holdings (contd.)

Melsta Properties (Private) Limited

Board of Directors
C. F. Fernando
Capt. K. J. Kahanda (Retd.)
S. Rajanathan
R. R. P. L. S. Ratnayake

Secretaries Financial Services and Commercial Agencies (Pvt) Ltd.

Registered Office
110, Norris Canal Road, Colombo 10
Tel: (94-11) 5288625 Fax : (94-11) 2695794

Co. Reg. No. No. PV 78422

Auditors Messrs KPMG (Chartered Accountants)

Pelwatte Sugar Industries PLC

Board of Directors
D. H. S. Jayawardena
P. H. A. W. Karunaratna *(Resigned w.e.f. 15/06/2012)*
Capt. K. J. Kahanda (Retd.)
M. R. Peries
R. Wettewa
D. A. de S. Wickramanayake
D. H. J. Gunawardena
C. S. Weeraratne
D. A. E. de S. Wickramanayake
K. K. U. Wijeyesekera *(Appointed w.e.f. 19/06/2012)*

Secretaries Managers & Secretaries (Pvt) Limited

Registered Office
27, Melbourne Avenue, Colombo 04
Tel: (94-11) 2589390 Fax: (94-11) 2500674

Co. Reg. No. PV 14051

Auditors Messrs Ernst & Young (Chartered Accountants)

Pelwatte Sugar Distilleries (Pvt) Limited

Board of Directors
Capt. K. J. Kahanda (Retd.) - Managing Director
M. R. Peries
D. A. de S. Wickramanayake

Secretaries Managers & Secretaries (Pvt) Limited

Registered Office
27, Melbourne Avenue, Colombo 04
Tel: (94-11) 2589390 Fax: (94-11) 2500674

Co. Reg. No. PV 10221

Auditors Messrs Ernst & Young (Chartered Accountants)

Group Directory

Diversified Holdings (contd.)

Pelwatte Agriculture & Engineering Services (Pvt) Limited

Board of Directors
D. A. de S. Wickramanayake
C. S. Weeraratne

Secretaries Managers & Secretaries (Pvt) Limited

Registered Office
27, Melbourne Avenue, Colombo 04
Tel: (94-11) 2589390 Fax: (94-11) 2500674

Co. Reg. No. PV 66850

Auditors Messrs Ernst & Young (Chartered Accountants)

Associates

Aitken Spence PLC

Board of Directors
D. H. S. Jayawardena – *Chairman*
J. M. S. Brito – *Deputy Chairman/ Managing Director*
Dr. R. M. Fernando
G. C. Wickremasinghe
G. M. Perera *(Resigned w.e.f. 31/12/2012)*
C. H. Gomez
N. de S. Deva Aditya
V. M. Fernando
M. P. Dissanayake
R. N. Asiriwatham
R. De Silva *(Appointed w.e.f. 08/04/2013)*
A. L. Gooneratne – *(Alternate to N. de S. Deva Aditya w.e.f. 08/05/2012)*

Secretary R. E. V. Casie Chetty

Registered Office
315, Vauxhall Street, Colombo 02
Tel: (94-11) 2308308 Fax : (94-11) 2445406
Web: www.aitkenspence.com

Co. Reg. No. PQ 120

Auditors Messrs KPMG (Chartered Accountants)

Madulsima Plantations PLC

Board of Directors
D. H. S. Jayawardena – *Chairman/ Managing Director*
R. K. Obeyesekere
Z. Alif
Dr. N. M. Abdul Gaffar
S. K. L. Obeyesekere
Dr. A. Shakthevale
D. S. K. Amarasekera

Secretary P. A. Jayatunga

Registered Office
833, Sirimavo Bandaranaike Mawatha, Colombo 14
Tel: (94-11) 2522871-2 Fax: (94-11) 2522913

Co. Reg. No. PQ 184

Auditors Messrs Ernst & Young (Chartered Accountants)

Pelwatte Dairy Industries Limited

Board of Directors
D. A. de S. Wickramanayake
D. A. E. de S. Wickramanayake
D. H. J. Gunawardena
A. N. F. Perera

Secretaries Maidas Secretarial Services (Pvt) Limited

Registered Office
A/4, Perahera Mawatha, Colombo 03

Co. Reg. No. PV 16876

Auditors Messrs Ernst & Young (Chartered Accountants)

Notice of Meeting

NOTICE IS HEREBY GIVEN that the TWENTY THIRD ANNUAL GENERAL MEETING OF DISTILLERIES COMPANY OF SRI LANKA PLC will be held at the Committee Room "B" of Bandaranaike Memorial International Conference Hall (BMICH) on 27th September 2013 at 10.00 a.m. for the following purposes.

1. To receive and consider the Annual Report of the Directors and the Financial Statements of the Company for the year ended 31st March 2013.

2. To approve a Final Dividend as recommended by the Board of Directors.

3. To re-elect Mr. R.K. Obeyesekere who retires by rotation at the Annual General Meeting in terms of Article 92 of the Articles of Association, as a Director of the Company.

4. To re-elect Capt K.J. Kahanda who retires by rotation at the Annual General Meeting in terms of Article 92 of the Articles of Association, as a Director of the Company.

5. To re-elect as a Director, Mr. D.H.S. Jayawardena, who is over the age of 70 years and who retires in terms of Section 210 of the Companies Act No. 07 of 2007, by passing the following resolution.

   "RESOLVED that Mr. D.H.S. Jayawardena, who attained the age of 70 on 17th August, 2012, be and is hereby re-elected as a Director of the Company, and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director".

6. To re-elect as a Director, Mr. C. F. Fernando, who is over the age of 70 years and who retires in terms of Section 210 of the Companies Act No. 07 of 2007, by passing the following resolution.

   "RESOLVED that Mr. C.F. Fernando, who attained the age of 70 on 01st March, 2005, be and is hereby re-elected as a Director of the Company, and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director".

7. To authorise the Directors to determine contributions to charities.

8. To authorise the Directors to determine the remuneration of the Auditors, Messrs. KPMG who are deemed to have been reappointed as Auditors in terms of section 158 of the Companies Act No. 7 of 2007.

By Order of the Board,

V. J. Senaratne

Ms. V. J. Senaratne
Company Secretary

16th August 2013.
Colombo.

Notes :

1. A member is entitled to attend and vote at the meeting or to appoint a proxy to attend and vote on behalf of him/her by completing the Form of Proxy enclosed herewith.

2. A proxy need not be a member of the Company.

3. The completed Form of Proxy should be deposited at the Registered Office of the Company at 110, Norris Canal Road, Colombo 10, before 10.00 a.m. on 25th September 2013.

   The dividend warrants will be posted within seven market days, if the dividend proposed is approved at the Annual General Meeting. In accordance with the rules of the Colombo Stock Exchange, the shares of the Company will be quoted ex-dividend with effect from 30th September 2013.

THE SHAREHOLDERS AND THE PROXY HOLDERS ATTENDING THE MEETING ARE KINDLY REQUESTED TO BE IN THEIR SEATS BY 09.45 a.m. THEY ARE ALSO REQUESTED TO BRING THIS ANNUAL REPORT, ALONG WITH AN ACCEPTABLE FORM OF IDENTITY.

Notes

Form of Proxy

1913-2013
100 years

Folio No.	

I/We..

of..being a member/

members of the Distilleries Company of Sri Lanka PLC hereby appoint Don Harold Stassen Jayawardena* or failing him Rajpal Kumar Obeyesekere* or failing him Cedric Royle Jansz* or failing him Niranjan de Silva Deva Aditya* or failing him Kolitha Jagath Kahanda* or failing him Chrisantha Francis Fernando* or failing him Adrian Naomal Balasuriya*

or ....

of ....

as my/our* Proxy to represent me/us* and vote for me/us* on my/our* behalf at the Twenty Third Annual General Meeting of the Company to be held on the 27th September 2013 and at any adjournment thereof and at every poll which may be taken in consequent thereof.

* Please delete the inappropriate words.

**** Please write your Folio Number which is given on the top left of the address sticker**

....

Signature of Shareholder

Dated this .... day of .... 2013.

Notes:

1. Proxy need not be a member of the Company.
2. In terms of the Article 71 of the Articles of Association of the Company.

   The instrument appointing a Proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or where the appointer is a corporation, either under seal, or under the hand of an officer or attorney duly authorised. A Proxy need not be a member of the Company.
3. In terms of Article 72 of the Articles of Association of the Company.

   The instrument appointing a Proxy and the Power of Attorney or other authority, if any, under which it is signed or notarially certified copy of that power of attorney shall be deposited at the registered office of the Company or at such other place within Sri Lanka as is specified for the purpose in the notice convening the meeting not later than 48 hours before the time of the holding of the meeting or adjourned meeting at which the person named in the instrument proposes to vote or in the case of the poll, not later than 24 hours before the time appointed for the taking of the poll and in default the instrument of Proxy shall not be treated as valid.
4. In terms of Article 66 of the Articles of Association of the Company.

   In case of the Joint holders the votes of the senior who tenders a vote, whether in person or by Proxy, shall be accepted to the exclusion of the votes of the other joint-holders; and for this purpose seniority shall be determined by the order in which the names stand in the register of members.

   The first joint-holder thereby has power to sign the Proxy without the consent of the other joint holder.
5. Instructions as to completion are noted overleaf.

Instructions as to Completion.

1. Kindly perfect the Form of Proxy, after filling in legibly your full name and address, by signing on the space provided and filling in the date of signature.

2. Kindly return the completed Form of Proxy to the Company after deleting one or other of the alternate words indicated by an asterisk.

3. To be valid the completed Form of Proxy should be deposited at the Registered Office of the Company at No. 110, Norris Canal Road, Colombo 10, not later than 48 hours before the time appointed for the holding of the meeting.

4. Every alteration or addition to the Form of Proxy must be duly authenticated by the full signature of the shareholder signing the Form of Proxy. Such signature should as far as possible be placed in proximity to the alteration or addition intended to be authenticated.

Attendance Slip

Distilleries Company of Sri Lanka PLC
PQ 112

110, Norris Canal Road, Colombo 10, Sri Lanka.

I / We hereby record my / our presence at the Twenty Third Annual General Meeting of the Distilleries Company of Sri Lanka PLC at the Committee Room "B" of Bandaranaike Memorial International Conference Hall (BMICH) on 27th September 2013 at 10.00 a.m.

1. Full Name of Shareholder : ....
   (In Capital Letters please)
2. Shareholder's NIC No./Passport No. : ....
3. Number of Shares held and Folio No. : ....
4. Name of Proxy Holder : ....
5. Proxy Holder's NIC No./Passport No. : ....
6. Signature of Attendee : ....

Notes

1. Shareholders / Proxy Holders are requested to bring this Attendance Slip with them when attending the meeting and hand it over at the entrance to the meeting hall after signing it.

2. Shareholders are also kindly requested to indicate any changes in their addresses / names by completing the following and forward same to the registered office 110, Norris Canal Road, Colombo 10, if not attending the meeting.

Name of the Shareholder : ....

Certificate No. : ....

Previous Address : ....

Present Address : ....

Any changes to the Name : ....

මෙම වාර්තාව සම්පූර්ණයෙන්ම පිළියෙල කර ඇත්තේ ඉංග්‍රීසි භාෂාවෙනි. ඔබට සභාපතිතුමාගේ පණිවුඩය, අධ්‍යක්ෂකවරුන්ගේ වාර්ෂික වාර්තාව සහ විගණක වාර්තාව සිංහල හෝ දෙමළ භාෂාවෙන් සකසන ලද පරිවර්තනයක් අවශ්‍ය නම්, ඒ බව ලේකම්, ඩිස්ටිලරීස් කොම්පැනි ඔෆ් ශ්‍රී ලංකා පීඑල්සී අංක 110, නොරිස් කැනල් පාර, කොළඹ 10 යන ලිපිනයට 2013, සැප්තැම්බර් මස 20 වෙනි දිනට ප්‍රථම දන්වන්න.

இவ்வறிக்கை முழுமையாக ஆங்கிலத்தில் உள்ளது. தலைவரின் செய்தி, பணிப்பாளர் சபையின் வருடாந்த அறிக்கை, கணக்காய்வாளரின் அறிக்கை, ஆகியவற்றின் சிங்களம் அல்லது தமிழ் மொழிபெயர்ப்பு வேண்டுமாயின், தயவுசெய்து கடிதம் மூலம் பின்வரும் விலாசத்திற்கு, 2013, செப்டெம்பர் மாதம் 20ம் திகதிக்கு முன் அறிவிக்கவும். செயலாளர், டிஸ்டிலரீஸ் கம்பனி ஒப் ஸ்ரீலங்கா பி.எல்.சி, இலக்கம் 110, நொரிஸ் கெனல் வீதி, கொழும்பு 10.

This report is entirely in English. If you require a translated copy of The Chairman's Message, Annual Report of the Board of Directors and The Auditor's Report in Sinhala or Tamil, please make a request by letter addressed to the Secretary, Distilleries Company of Sri Lanka PLC, No. 110, Norris Canal Road, Colombo 10 on or before 20th day of September 2013.

Corporate Information

Company Name
Distilleries Company of Sri Lanka PLC

Domicile and Legal Form of the Holding Company
Public Limited Liability Company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange

Registration No.
PQ 112

Ultimate Parent Company
Milford Exports (Ceylon) Ltd.

Registered Office
110, Norris Canal Road, Colombo 10,
Sri Lanka
Tel : +94 11 5507000/ 2695295-7
Fax : +94 11 2696360
Web : www.dcslgroup.com

Board of Directors
Mr. D. H. S. Jayawardena (Chairman/ Managing Director)
Mr. R. K. Obeyesekere
Mr. C. R. Jansz
Mr. N. de S. Deva Aditya
Capt. K. J. Kahanda (Retd.)
Mr. C. F. Fernando
Dr. A. N. Balasuriya
Mr. A.L. Gooneratne *(Alternate to Mr. N. de S. Deva Aditya w.e.f. 8 May 2012)*
Ms. V. J. Senaratne *(Alternate to Mr. K. J. Kahanda w. e. f. 11 May 2012)*

Audit Committee
Mr. C. F. Fernando – Chairman
Mr. N. de S. Deva Aditya
Dr. A. N. Balasuriya

Remuneration Committee
Dr. A. N. Balasuriya– Chairman
Mr. N de S. Deva Aditya
Mr. C. F. Fernando

Secretary
Ms. V. J. Senaratne

Auditors
KPMG (Chartered Accountants)
32A, Sir Mohamed Macan Marker Mawatha,
Colombo 03, Sri Lanka

Registrars
P.W. Corporate Secretarial (Pvt) Ltd.
3/17, Kynsey Road,
Colombo 08, Sri Lanka

Lawyers
Prasanna Goonawardene & Company
26/1, Colonel T. G. Jayawardena Mawatha,
Colombo 03, Sri Lanka

Bankers
Bank of Ceylon
Commercial Bank of Ceylon
Hatton National Bank
Hong Kong & Shanghai Banking Corporation
MCB Bank
Nations Trust Bank
Pan Asia Bank
People's Bank
Standard Chartered Bank

Credit Rating
The Company has been assigned 'AAA(lka)' National Long Term Rating with a Stable Outlook by Fitch Ratings Lanka Limited.

Designed and produced by emagewise
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1913-2013

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years

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